

PACIFIC HOUSE, INC. AND SUBSIDIARIES

June 30, 2025

- I. Consolidated Financial Statements
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Government Auditing Standards
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ASSURANCE | ADVISORY | TAX | TECHNOLOGY

I. CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Management for
Pacific House, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pacific House, Inc. and Subsidiaries (the “Organization”) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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 are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Whittlesey PC

Hartford, Connecticut
December 29, 2025

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Consolidated Statement of Financial Position

For the Year Ended June 30, 2025

| | Pacific House, Inc. and Subsidiary | 66 Stillwater Avenue, LLC | Rotary Commons, and related LLCs | Eliminating Entries | Total |
|--|--|---------------------------------|--|------------------------|----------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Unrestricted cash | \$ 1,277,217 | \$ - | \$ - | \$ - | \$ 1,277,217 |
| Restricted cash | 616,488 | - | - | - | 616,488 |
| Short term investments | 1,038,819 | - | - | - | 1,038,819 |
| Grants receivable | 1,160,904 | - | - | - | 1,160,904 |
| Other receivables - net of allowance for doubtful accounts of \$126,348 | 183,886 | - | - | - | 183,886 |
| Due from related parties | 958,433 | 26,239 | - | (984,672) | - |
| Prepaid expenses | 42,789 | - | - | - | 42,789 |
| Total Current Assets | <u>5,278,536</u> | <u>26,239</u> | <u>-</u> | <u>(984,672)</u> | <u>4,320,103</u> |
| Fixed Assets: | | | | | |
| Construction in progress | 1,847,588 | 1,943,761 | 7,347,161 | - | 11,138,510 |
| Land, buildings, and equipment - net | 20,644,065 | - | - | - | 20,644,065 |
| Total Fixed Assets | <u>22,491,653</u> | <u>1,943,761</u> | <u>7,347,161</u> | <u>-</u> | <u>31,782,575</u> |
| Total Assets | <u>\$ 27,770,189</u> | <u>\$ 1,970,000</u> | <u>\$ 7,347,161</u> | <u>\$ (984,672)</u> | <u>\$ 36,102,678</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 254,742 | \$ - | \$ - | \$ - | \$ 254,742 |
| Due to related parties | 26,239 | - | 958,433 | (984,672) | - |
| Deferred revenue and refundable deposits | 858,832 | - | - | - | 858,832 |
| Notes payable - current portion | 224,786 | - | - | - | 224,786 |
| Total Current Liabilities | <u>1,364,599</u> | <u>-</u> | <u>958,433</u> | <u>(984,672)</u> | <u>1,338,360</u> |
| Long - Term Liabilities: | | | | | |
| Deferred revenue and refundable deposits | 9,704,440 | - | - | - | 9,704,440 |
| Notes payable - long - term portion, net | 7,042,249 | 1,970,000 | 5,254,483 | - | 14,266,732 |
| Total Long -Term Liabilities | <u>16,746,689</u> | <u>1,970,000</u> | <u>5,254,483</u> | <u>-</u> | <u>23,971,172</u> |
| Total Liabilities | <u>18,111,288</u> | <u>1,970,000</u> | <u>6,212,916</u> | <u>(984,672)</u> | <u>25,309,532</u> |
| NET ASSETS | | | | | |
| Net Assets: | | | | | |
| Without Donor Restrictions: | | | | | |
| Undesignated | (8,298,872) | - | - | - | (8,298,872) |
| Designated - land, buildings and equipment | 17,292,979 | - | - | - | 17,292,979 |
| Total Net Assets Without Donor Restrictions | 8,994,107 | - | - | - | 8,994,107 |
| With Donor Restrictions | 664,794 | - | - | - | 664,794 |
| Noncontrolling Interest | - | - | 1,134,245 | - | 1,134,245 |
| Total Net Assets | <u>9,658,901</u> | <u>-</u> | <u>1,134,245</u> | <u>-</u> | <u>10,793,146</u> |
| Total Liabilities and Net Assets | <u>\$ 27,770,189</u> | <u>\$ 1,970,000</u> | <u>\$ 7,347,161</u> | <u>\$ (984,672)</u> | <u>\$ 36,102,678</u> |

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

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Consolidated Statement of Activities

For the Year Ended June 30, 2025

| | Pacific House, Inc. and Subsidiary | 66 Stillwater Avenue, LLC | Rotary Commons, and related LLCs | Eliminating Entries | Total |
|---|--|------------------------------|--|------------------------|----------------------|
| Changes in net assets without donor restrictions | | | | | |
| Revenue and support: | | | | | |
| Grants and fees from governmental agencies | \$ 2,935,800 | \$ - | \$ - | \$ - | \$ 2,935,800 |
| Rental income | 1,361,821 | - | - | - | 1,361,821 |
| Contributions | 22,000 | - | - | - | 22,000 |
| In-kind contributions | 115,810 | - | - | - | 115,810 |
| Gala and special events | 1,202,097 | - | - | - | 1,202,097 |
| Other income | 387,993 | - | - | - | 387,993 |
| Investment income | 23,504 | - | - | - | 23,504 |
| Released from restrictions | 334,333 | - | - | - | 334,333 |
| | <u>6,383,358</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,383,358</u> |
| Total revenue and support | | | | | |
| Expenses: | | | | | |
| Program services: | | | | | |
| Emergency Shelter | 2,382,996 | - | - | - | 2,382,996 |
| Permanent Housing | 2,583,517 | - | - | - | 2,583,517 |
| Housing Development | 268,244 | - | - | - | 268,244 |
| Total Program Services | <u>5,234,757</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,234,757</u> |
| Supporting services: | | | | | |
| Management and general | 481,798 | - | - | - | 481,798 |
| Development | 567,595 | - | - | - | 567,595 |
| Total supporting services | <u>1,049,393</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,049,393</u> |
| | <u>6,284,150</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,284,150</u> |
| Total expenses | | | | | |
| Change in net assets without donor restrictions | 99,208 | - | - | - | 99,208 |
| Changes in net assets with donor restrictions | | | | | |
| Contributions | 354,131 | - | - | - | 354,131 |
| Released from restrictions | (334,333) | - | - | - | (334,333) |
| Change in net assets with donor restrictions | 19,798 | - | - | - | 19,798 |
| Other changes in net assets | | | | | |
| Noncontrolling interest equity contribution | - | - | 1,134,245 | - | 1,134,245 |
| Change in Net Assets | 119,006 | - | 1,134,245 | - | 1,253,251 |
| Net assets, beginning of year | 9,539,895 | - | - | - | 9,539,895 |
| Net assets, end of year | <u>\$ 9,658,901</u> | <u>\$ -</u> | <u>\$ 1,134,245</u> | <u>\$ -</u> | <u>\$ 10,793,146</u> |

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

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2025

| Description | Pacific House, Inc. and Subsidiary | | | | | | | 66 Stillwater Avenue, LLC | Rotary Commons, and related LLCs | Eliminating Entries | Total Expenses |
|---|------------------------------------|----------------------|------------------------|-------------------|---------------------------|-------------|------------------|-------------------------------|---|------------------------|-------------------|
| | Emergency Shelter | Permanent Housing | Housing Development | Total Programs | Management and General | Development | Total Support | Admin, Program and Support | Admin, Program and Support | | |
| PERSONNEL COSTS | | | | | | | | | | | |
| Salaries | \$ 1,124,225 | \$ 863,751 | \$ 117,905 | \$ 2,105,881 | \$ 162,949 | \$ 322,204 | \$ 485,153 | \$ - | \$ - | \$ - | \$ 2,591,034 |
| Employee benefits | 174,054 | 133,727 | 18,254 | 326,035 | 25,228 | 49,884 | 75,112 | - | - | - | 401,147 |
| Payroll taxes | 104,297 | 80,132 | 10,939 | 195,368 | 15,117 | 29,892 | 45,009 | - | - | - | 240,377 |
| Total Personnel Costs | 1,402,576 | 1,077,610 | 147,098 | 2,627,284 | 203,294 | 401,980 | 605,274 | - | - | - | 3,232,558 |
| OTHER EXPENSES | | | | | | | | | | | |
| ARPA Flex expenses | - | 59,167 | - | 59,167 | - | - | - | - | - | - | 59,167 |
| Gala expenses | - | - | - | - | - | 100,303 | 100,303 | - | - | - | 100,303 |
| Special events expenses | - | - | - | - | - | 7,297 | 7,297 | - | - | - | 7,297 |
| Client assistance | 8,380 | 17,004 | - | 25,384 | - | - | - | - | - | - | 25,384 |
| Consultants and other professionals services | 20,933 | 11,675 | 3,690 | 36,298 | 97,961 | 54,500 | 152,461 | - | - | - | 188,759 |
| Tenant legal services | - | 21,818 | - | 21,818 | 360 | - | 360 | - | - | - | 22,178 |
| In-kind legal expenses | - | - | 109,111 | 109,111 | - | - | - | - | - | - | 109,111 |
| Food - client support | 112,933 | 16,733 | - | 129,666 | 7,219 | - | 7,219 | - | - | - | 136,885 |
| In-kind food expenses | 4,344 | - | - | 4,344 | - | - | - | - | - | - | 4,344 |
| In-kind other expenses | 2,355 | - | - | 2,355 | - | - | - | - | - | - | 2,355 |
| IT services | 27,085 | 22,184 | - | 49,269 | 31,855 | - | 31,855 | - | - | - | 81,124 |
| Telephone | 9,086 | 12,293 | - | 21,379 | 13,192 | - | 13,192 | - | - | - | 34,571 |
| Occupancy | 154,114 | 553,628 | - | 707,742 | 24,340 | - | 24,340 | - | - | - | 732,082 |
| Operational program and household | 87,275 | 35,891 | 1,898 | 125,064 | 72,173 | 2,035 | 74,208 | - | - | - | 199,272 |
| Insurance | 47,744 | 183,162 | 6,447 | 237,353 | 6,447 | - | 6,447 | - | - | - | 243,800 |
| Staff travel, conferences and other | 316 | 110 | - | 426 | 10,235 | 835 | 11,070 | - | - | - | 11,496 |
| Training and education | 1,300 | - | - | 1,300 | - | - | - | - | - | - | 1,300 |
| Dues and subscriptions | 1,099 | 805 | - | 1,904 | 1,758 | 645 | 2,403 | - | - | - | 4,307 |
| Printing | 270 | - | - | 270 | 1,607 | - | 1,607 | - | - | - | 1,877 |
| Postage | - | - | - | - | 2,545 | - | 2,545 | - | - | - | 2,545 |
| Interest expense | - | 111,595 | - | 111,595 | 8,812 | - | 8,812 | - | - | - | 120,407 |
| Danbury Project expenses | 114,284 | - | - | 114,284 | - | - | - | - | - | - | 114,284 |
| Total Other Expenses | 591,518 | 1,046,065 | 121,146 | 1,758,729 | 278,504 | 165,615 | 444,119 | - | - | - | 2,202,848 |
| Total expenses before depreciation and amortization | 1,994,094 | 2,123,675 | 268,244 | 4,386,013 | 481,798 | 567,595 | 1,049,393 | - | - | - | 5,435,406 |
| Depreciation and amortization | 388,902 | 459,842 | - | 848,744 | - | - | - | - | - | - | 848,744 |
| Total Expenses | \$ 2,382,996 | \$ 2,583,517 | \$ 268,244 | \$ 5,234,757 | \$ 481,798 | \$ 567,595 | \$ 1,049,393 | \$ - | \$ - | \$ - | \$ 6,284,150 |

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

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2025

| | Pacific House, Inc. and Subsidiary | 66 Stillwater Avenue, LLC | Rotary Commons, and related LLCs | Eliminating Entries | Total |
|---|--|------------------------------|--|------------------------|---------------------|
| Cash flows from operating activities: | | | | | |
| Change in net assets | \$ 119,006 | \$ - | \$ 1,134,245 | \$ - | \$ 1,253,251 |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | | | | |
| Noncontrolling interests: Limited Partner interest in limited partnership | - | - | (1,134,245) | - | (1,134,245) |
| Depreciation and amortization | 848,744 | - | - | - | 848,744 |
| (Increase)/ decrease in assets: | | | | | |
| Grants and other receivables | 448,003 | - | - | - | 448,003 |
| Due from related parties | (958,433) | (26,239) | - | 984,672 | - |
| Prepaid expenses | 9,428 | - | - | - | 9,428 |
| Increase/ (decrease) in liabilities: | | | | | |
| Accounts payable and accrued expenses | (183,926) | - | - | - | (183,926) |
| Due to related parties | 26,239 | - | 958,433 | (984,672) | - |
| Deferred revenue and refundable deposits | 1,203,096 | - | - | - | 1,203,096 |
| Net change in cash from operating activities | <u>1,512,157</u> | <u>(26,239)</u> | <u>958,433</u> | <u>-</u> | <u>2,444,351</u> |
| Cash flows from investing activities: | | | | | |
| Payments for fixed asset additions | (698,048) | (165,124) | (2,306,116) | - | (3,169,288) |
| Short term investments - net | (689,016) | - | - | - | (689,016) |
| Net change used in investing activities | <u>(1,387,064)</u> | <u>(165,124)</u> | <u>(2,306,116)</u> | <u>-</u> | <u>(3,858,304)</u> |
| Cash flows from financing activities: | | | | | |
| Principal payments on notes payable | (155,771) | - | (4,467,500) | - | (4,623,271) |
| Proceeds from notes payable | 657,118 | - | 5,254,483 | - | 5,911,601 |
| Limited partner equity contributions | - | - | 1,134,245 | - | 1,134,245 |
| Net change in cash from financing activities | <u>501,347</u> | <u>-</u> | <u>1,921,228</u> | <u>-</u> | <u>2,422,575</u> |
| Change in cash and restricted cash | 626,440 | (191,363) | 573,545 | - | 1,008,622 |
| Cash and restricted cash, beginning of year | <u>1,267,265</u> | <u>191,363</u> | <u>(573,545)</u> | <u>-</u> | <u>885,083</u> |
| Cash and restricted cash, end of year | <u>\$ 1,893,705</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,893,705</u> |
| Supplemental cash flow disclosure: | | | | | |
| Cash Paid During the Year for: | | | | | |
| Interest | <u>\$ 119,057</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 119,057</u> |
| Cash and restricted cash: | | | | | |
| Cash | \$ 1,277,217 | \$ - | \$ - | \$ - | \$ 1,277,217 |
| Restricted cash | 616,488 | - | - | - | 616,488 |
| Cash and restricted cash, end of year | <u>\$ 1,893,705</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,893,705</u> |

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

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

June 30, 2025

1. NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION

Pacific House, Inc. and Subsidiaries (formerly) Shelter for the Homeless, Inc. (the “Organization”) is a not-for-profit organization which provides emergency shelter, case management, recovery and young adult services to the homeless including supportive housing and housing development serving Fairfield County. 3 Lake Avenue Extension, LLC (Limited Liability Company) is a wholly owned Subsidiary of Pacific House, Inc. which owns the facility in Danbury, Connecticut. 66 Stillwater Avenue, LLC is a Connecticut limited liability company whose sole member is Pacific House, Inc.

41-45 Stillwater Avenue, LLC is a Connecticut limited liability company whose managing member is Pacific House, Inc. On June 17, 2025, an Amended and Restated Operating Agreement was executed whereby The Housing Collective (an unrelated nonprofit organization) was admitted as the Investment Member with a 21% ownership interest. Pacific House retains a 79% ownership interest. In June 2025, 41-45 Stillwater Avenue, LLC sold the property located at 41-45 Stillwater Avenue in Stamford, Connecticut to Rotary Commons, LLC. 41-45 Stillwater Avenue, LLC is the managing member of Rotary Commons, LLC.

Rotary Commons, LLC is a Connecticut limited liability company formed for the purpose of constructing and developing a 39-unit affordable residential building with ancillary office space and other amenities located at 41-45 Stillwater Avenue in Stamford, Connecticut. Pacific House, Inc. is the guarantor of Rotary Commons, LLC. Dunlop Walker, an unrelated third party, is the investor member of Rotary Commons LLC holding a 99.99% interest. Dunlop Walker’s equity in Rotary Commons, LLC is reported as noncontrolling interest in the accompanying financial statements.

All significant intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Finance Committee as part of their long-term investment strategies.

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. Accordingly, 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. 3 Lake Avenue Extension, LLC and 66 Stillwater Avenue, LLC are single-member limited liability companies and are treated as disregarded entities for income tax purposes. Rotary Commons LLC is treated as a partnership for federal income tax purposes. No provision for income taxes has been made for these entities, as any taxable income, gains, losses, credits, and deductions are passed through to, and reportable by, the respective members. 41-45 Stillwater Avenue LLC is a multi-member limited liability company consisting of Pacific House, Inc. as managing member with a 79% interest and The Housing Collective, Inc. as 21% member. While both entities are non-profit entities, the LLC will make the election to be taxed as a taxable entity for income tax purposes under section 168(h) of the code.

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 expenses as incurred. 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 in the statements of activities.

Impairment

The Organization reviews its fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net discounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the fixed asset. If the fixed asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the fixed asset exceeds the fair value of such property. There were no impairment losses recognized in 2025 related to fixed assets.

Tenant Receivables and Rental Income

The Organization signs annual operating leases with tenants. Rental revenue is recognized each month on the straight-line basis over the life of the lease. Uncollected rents are recorded as tenant accounts receivable, included within other receivables on the consolidated statement of financial position, and are carried at the original amount due, less allowance for credit losses. Security deposits collected from tenants amount to \$104,168 at June 30, 2025 and are included in deferred revenue and refundable deposits in the consolidated statement of financial position.

Allowance for Doubtful Accounts

The allowance estimate is determined from a review of historical losses based on the aging of receivables. The estimate is adjusted for management's assessment of current conditions and reasonable and supportable forecasts regarding future events. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts at June 30, 2025 was \$126,348. The allowance was not increased for the fiscal year ended June 30, 2025. During the fiscal year the Organization applied for and received a grant totaling \$100,000 to cover tenants' rents that were outstanding and at risk of being written off. Based on the (\$100,000) payments toward the tenants' receivable, that were most at risk of being uncollected, management believes that the current allowance of \$126,348 is adequate for the current tenants' receivable, and no increase in the allowance was needed for the fiscal year ended June 30, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Fees from Government Agencies

The Organization receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreements. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred. Cash received on government grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt. As of June 30, 2025, refundable advances were \$-0-.

Grants received for the acquisition, renovation, or construction of affordable housing properties are initially recorded as deferred revenue. These amounts are recognized as revenue on a straight-line basis over the term of the related agreements as the conditions are satisfied. At June 30, 2025, unamortized deferred revenue was \$9,617,052 and is included in deferred revenue and refundable deposits in the consolidated statement of financial position.

Grants Receivable

Grants receivable represent expenditures of funds in accordance with grant stipulations or fulfillment of contract terms for which reimbursement has not yet been received from the grantor agency. The Organization believes all grants receivable are considered collectible, and therefore no allowance for uncollectible accounts has been established.

Conditional Promises to Give

As of June 30, 2025, the Organization had unexpended contributions and grants of \$705,734 from the Department of Mental Health and Addiction Services and \$1,541,000 from the Department of Housing, respectively, that have not been recognized pending fulfillment of conditions associated with awards.

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 Nonfinancial Assets

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Contributed services are recorded at fair value based on current rates for similar services. Volunteers also provided support services throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria under U.S. GAAP were not met. The Organization has recognized \$115,810 in contributed nonfinancial assets as of June 30, 2025, which is included as in-kind legal, food and other expenses on the consolidated statement of activities. These contributions consisted of materials, meals and services and were valued at fair market value of the asset at the date of the donations.

Gala and Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. Deferred revenue related to payments received in advance for the Gala for the next fiscal year was \$19,845 at June 30, 2025 and was included in deferred revenue and refundable deposits in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are directly allocated to the program and supporting services based on actual usage, or when they can be directly traced, or specifically identifiable to that program and supporting services. Wages and benefits are allocated based on time and effort. 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. Insurance is allocated based on the premium charged by property and content. Depreciation is allocated by square footage.

Compensated Absences

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

Subsequent Events

Pacific House, Inc. and Subsidiaries monitored and evaluated any subsequent events for footnote disclosures of adjustments required in its financial statements for the fiscal year ended June 30, 2025 through December 29, 2025 on which the consolidated financial statements were available to be issued.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Pacific House, Inc. and Subsidiaries to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U.S. Federal Deposits Insurance Corporation (FDIC) insured \$250,000 limit and all investments in money market and government reserve funds. Periodically, the balance of cash maintained at the financial institution may be in excess of the FDIC insurance limit. As of June 30, 2025, Pacific House, Inc. and Subsidiaries have an uninsured bank balance of \$1,715,395.

Approximately 46% of support and revenue for the year ended June 30, 2025 is provided by government grants and fees. 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, 2025, consisted of the following:

| | |
|--------------------------------|---------------------|
| Schwab US Treasury Obligations | \$1,005,000 |
| Schwab bank deposit and cash | <u>33,819</u> |
| | <u>\$ 1,038,819</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, 2025.

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------------------|---------------------|---------------------|----------------|----------------|
| Schwab US Treasury Obligations | \$1,005,000 | \$1,005,000 | \$ - | \$ - |
| Schwab bank deposit and cash | <u>33,819</u> | <u>33,819</u> | <u>-</u> | <u>-</u> |
| <u>Total</u> | <u>\$ 1,038,819</u> | <u>\$ 1,038,819</u> | <u>\$ -</u> | <u>\$ -</u> |

6. LAND, BUILDINGS, AND EQUIPMENT

At June 30, 2025, Land, Buildings and Equipment consist of the following:

| | |
|-------------------------------|----------------------|
| Land | \$ 3,060,617 |
| Buildings and Improvements | 24,422,815 |
| Equipment | <u>853,232</u> |
| <u>Subtotal</u> | 28,336,664 |
| Less Accumulated Depreciation | <u>7,692,599</u> |
| <u>Total</u> | <u>\$ 20,644,065</u> |

Depreciation and amortization expense amounted to \$848,744 for the fiscal year June 30, 2025.

7. CONSTRUCTION IN PROGRESS

Construction in progress as of June 30, 2025 consisted of the following projects:

| | |
|---------------------------|----------------------|
| 36 Ann Street | \$ 1,844,938 |
| 66 Stillwater Avenue, LLC | 1,943,761 |
| Rotary Commons, LLC | 7,347,161 |
| Other | 2,650 |
| | <u>\$ 11,138,510</u> |

36 Ann Street – Development and construction of 11 units of deeply affordable housing, located at 36 Ann Street in Stamford, Connecticut. These units are now completed and occupied in the fiscal year ending June 30, 2026.

66 Stillwater Avenue, LLC – Development and construction of 15 units of affordable housing, for individuals and families, located at 66 Stillwater Avenue in Stamford, Connecticut.

Rotary Commons, LLC – Development and construction of 39 units of affordable housing, with ancillary office space and other amenities, located at 41-45 Stillwater Avenue in Stamford, Connecticut.

Other – Preliminary meeting and discussion for the development and construction of affordable housing units located at 33 and 42 Ann Street in Stamford, Connecticut.

8. NOTES PAYABLE

Notes payable consisted of the following at June 30, 2025:

Amortizing

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. 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. \$ 102,026

Mortgage payable to First County Bank in the amount of \$235,954, monthly principal and interest installments of \$1,650.59 through May 1, 2034 (effective interest rate of 6.50%). The mortgage is secured by the property located at 104 Richmond Hill Avenue, Stamford, CT. 135,982

Mortgage payable to First County Bank in the amount of \$1,290,006, monthly principal and interest installments of \$7,790.41 through February 1, 2035. The mortgage is secured by the properties located at 23 Spruce Street, 38 Ann Street, and 17 Berkeley Street, Stamford, CT. The interest rate is 2.50%. The loan was converted to a mortgage on December 1, 2017. 800,693

8. NOTES PAYABLE (CONTINUED)

Amortizing (Continued)

Construction to Permanent Mortgage Loan payable to First County Bank up to \$703,389 dated December 23, 2015. The term of the loan will be up to 22 years commencing on the first day of the month following the date of closing. Interest only until project is completed. Once the project is completed, evidenced by Certificate of Occupancy, the loan shall convert to a twenty-five (25) year loan payable in monthly principal and interest payments. For the first-year borrower may take advances up to \$500,000 for construction costs. The interest rate will be fixed for 20 years at Federal Home Loan Bank of Boston 20-year rate plus two hundred seventy-five (275) basis points with a twenty-five-year amortization period. The mortgage is secured by the properties located at 190 Stillwater Avenue and 104 Richmond Hill Avenue, Stamford, CT. The interest rate was 5.50%. The loan was converted on October 1, 2019, in the amount of \$703,389, monthly principal and interest installment of \$4,054.52. The current interest rate is 3.25% and matures on May 1, 2039.

542,431

Mortgage payable to First County Bank in the amount of \$1,000,000 interest only during the first twenty-four (24) months. After 24 months, the loan will be converted to a 23-year amortization schedule with monthly principal and interest payments. The loan was converted to a mortgage on March 1, 2022. The interest rate shall be fixed for five years based on the five-year Federal Home Loan Bank of Boston Regular Classic Advance Rate plus a margin equal to 225 basis points (2.25%) interest rate changes will then occur every five years thereafter. Monthly principal and interest installment of \$6,975.50. The mortgage is secured by the properties located at 20-22-24-26-28 Fairfield Avenue Stamford, CT. The current interest rate is 6.625%.

912,050

Construction Loan payable to First County Bank in the amount of \$550,000 interest only until June 30, 2022. The loan was converted to a 22-year mortgage on August 1, 2022. Under the terms of the mortgage principal and interest are payable in equal monthly payments amortized over a 30-year period with a balloon payment due upon the maturity date. Monthly principal and interest installment of \$2,111.68. The mortgage is secured by the property located at 100 South Main Street, Norwalk CT. The interest rate is 2.25%.

511,507

Note Payable SBA Loan – In July 2020 the Organization obtained a \$150,000 disaster loan from the U.S. Small Business Administration under the terms of the loan principal and interest are payable over 30 years. Monthly principal and interest installment of \$641.00. The interest rate is 2.75%.

130,723

8. NOTES PAYABLE (CONTINUED)

Non-Amortizing

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

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

Non-interest bearing Note payable to the City of Stamford, in the amount of \$86,151. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of the twenty (20) year period and is due August 2032. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT. 86,151

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

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

Non-interest bearing note payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$400,000. This note shall be satisfied and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation (August 1, 2029) of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate of Occupancy. The note is secured by the property located at 23 Spruce Street, 38 Ann Street, and 17 Berkelev Street. Stamford. CT. 400,000

Non-interest bearing Note payable to the City of Stamford, in the amount of \$60,000. No monthly payments of principal are 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

8. NOTES PAYABLE (CONTINUED)

Non-Amortizing (Continued)

Non-interest bearing Note payable to the City of Stamford, up to an amount of \$120,000. All sums due under the NSP Program Loan shall be due and payable not later than August 20, 2035; however, if the Borrower complies with all of the terms and conditions in the Loan Agreement, Note and Mortgage, the principal amount shall be forgiven. The mortgage is secured by the property located at 190 Stillwater Avenue, Stamford, CT. 120,000

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 March 2037. No interest will be charged and no monthly payments or principal required provided that no default occurs under the conditions of the loan agreement. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT. 50,932

Non-interest bearing Note payable to the City of Stamford, in the amount of \$13,000. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of the twenty (20) year period and is due March 2032. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT. 13,000

Non-interest-bearing Note payable to City of Stamford, in the amount of \$60,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2032. 60,000

Non-interest-bearing Note payable to City of Stamford, in the amount of \$80,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2036. 80,000

Non-interest-bearing Note payable to City of Stamford, in the amount of \$80,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2040. 80,000

Non-interest-bearing Note payable to City of Stamford, in the amount of \$120,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2051. 120,000

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

8. NOTES PAYABLE (CONTINUED)

Non-Amortizing (Continued)

Note Payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$500,000. This note shall be satisfied, and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation (January 15, 2035) of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate of Occupancy. The note is secured by the properties located at 190 Stillwater Avenue and 104 Richmond Hill Avenue, Stamford, CT.

500,000

Note Payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$500,000. This note shall be satisfied, and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate of Occupancy. The note is secured by the property located at 100 South Main Street (front building).

500,000

Note Payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$650,000. 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 20-28 Fairfield Avenue.

650,000

66 Stillwater Avenue, LLC: Notes Payable

Acquisition and pre-development loan for supportive housing project at 66 Stillwater Avenue, Stamford, Connecticut. Interest rate of 5.95%, which will be accrued and paid monthly from Interest holdback proceeds. The loan will be repaid from a construction loan obtained from either the Department of Housing (DOH), or from Connecticut Housing Finance Authority (CHFA), which is expected on or before June 12, 2027.

1,970,000

8. NOTES PAYABLE (CONTINUED)

Rotary Commons, LLC: Notes Payable

Construction and development loan from Connecticut Housing Finance Authority (CHFA) in the total amount of \$8,250,000 of which \$2,724,298 has been advanced to-date, with an interest rate of 5.45% and a maturity date of June 1, 2027. The loan will be used for the construction and development of a 39-unit affordable residential building with ancillary office space and other amenities to be located at 41-45 Stillwater Avenue, Stamford, Connecticut.

2,724,298

Construction and development loan from Connecticut Housing Finance Authority (CHFA) in the total amount of \$4,750,000, of which \$1,568,536 has been advanced to-date, with an interest rate of 6.20% and a maturity date of June 1, 2067. The loan will be used for the construction and development of a 39-unit affordable residential building with ancillary office space and other amenities to be located at 41-45 Stillwater Avenue, Stamford, Connecticut.

1,568,536

Construction and development loan from Connecticut Housing Finance Authority (CHFA) in the total amount of \$1,000,000, of which \$711,649 has been advanced to-date, with an interest rate of 1% and a maturity date of June 1, 2067. The loan will be used for the construction and development of a 39-unit affordable residential building with ancillary office space and other amenities to be located at 41-45 Stillwater Avenue, Stamford, Connecticut.

711,649

Construction and development loan from Pacific House, Inc. in the total amount of \$5,046,250 of which \$250,000 has been advanced to-date. The loan consists of multiple grants and equity funds received by Pacific House, Inc. as sponsor of Rotary Commons which were provided to the project that include \$2,450,000, representing grant funds issued by the State of Connecticut Department of Housing; \$700,000, representing grant funds issued by the Rotary Club of Stamford; \$146,250, representing anticipated energy Rebates from Eversource; \$750,000, and \$1,750,000, representing grant funds issued by the City of Stamford, Connecticut. The loan will be used for the construction and development of the Rotary Commons project, a 39-unit affordable residential building with ancillary office space and other amenities, to be located at 41-45 Stillwater Avenue, Stamford, Connecticut. The loan amount as at June 30, 2025, is \$250,000, with an interest rate of 1% and a maturity date of June 1, 2067.

250,000

| | |
|---|----------------------|
| Total notes payable | 14,517,478 |
| Less net mortgage costs | (25,960) |
| Total notes payable net of mortgage costs | <u>\$ 14,491,518</u> |

8. NOTES PAYABLE (CONTINUED)

Future minimum principal payments are as follows for the years ended June 30,:

| | <u>Amortizing</u> | <u>Non-Amortizing</u> | <u>66 Stillwater Avenue, LLC</u> | <u>Rotary Commons and related LLCs</u> | <u>Total</u> |
|------------|---------------------|-----------------------|----------------------------------|--|----------------------|
| 2026 | \$ 164,786 | \$ 60,000 | \$ - | \$ - | \$ 224,786 |
| 2027 | 169,097 | - | 1,970,000 | 2,724,298 | 4,863,395 |
| 2028 | 177,418 | - | - | - | 177,418 |
| 2029 | 184,624 | - | - | - | 184,624 |
| 2030 | 191,285 | - | - | - | 191,285 |
| Thereafter | <u>2,248,201</u> | <u>4,097,584</u> | <u>-</u> | <u>2,530,185</u> | <u>8,875,970</u> |
| | <u>\$ 3,135,411</u> | <u>\$ 4,157,584</u> | <u>\$ 1,970,000</u> | <u>\$ 5,254,483</u> | <u>\$ 14,517,478</u> |

Line of Credit

The Organization has a Revolving Line of Credit from First County Bank with a limit of \$750,000, with interest payments of a variable rate, calculated based on “The Wall Street Prime Rate” plus 1.00% percentage points, current interest rate of 7.50%, for a total interest rate of 8.50%. The line of credit was unused as of June 30, 2025.

9. NET ASSETS

Net assets without donor restrictions are comprised of the following Board-designated net assets at June 30, 2025:

| | |
|--------------------------------|---------------------|
| Net book value of fixed assets | \$17,292,979 |
| General use | <u>(8,298,872)</u> |
| Total | <u>\$ 8,994,107</u> |

Net assets with donor restrictions consist of the following at June 30, 2025:

| | |
|---------------------|-------------------|
| Building | \$ 467,024 |
| Young Adult Program | 11,972 |
| Foundations | 169,798 |
| Automobile Purchase | <u>16,000</u> |
| Total | <u>\$ 664,794</u> |

Net assets were released from donor restrictions when expenses were incurred or time lapsed to satisfy the restricted purpose specified by the donors. The net amount of net assets released for the year ended June 30 were as follows:

| | |
|---------|-------------------|
| Housing | <u>\$ 334,333</u> |
|---------|-------------------|

10. RETIREMENT PLAN

The Organization maintains a 403(B) salary deferred retirement plan for its employees under the provisions of the Internal Revenue Code Section 403(b). The employees may elect to defer amounts according to the maximum allowed under Federal guidelines. The plan allows the Organization to make discretionary contributions which are determined annually. The discretionary contribution was \$46,560 for the year ended June 30, 2025.

11. LEASE COMMITMENTS

Pacific House, Inc. and Subsidiaries leased office space in Stamford, Connecticut, through December 2015. As of January 2016, the lease was on a month-to-month basis. Rental expense totaled \$17,300 for the year ended June 30, 2025.

The office space leased from the City of Stamford had major flooding (in December 2024), and as such the building had to be closed. The City of Stamford relocated Pacific House, Inc and Subsidiaries to offices they owned, located at 175 Atlantic Street, Stamford, CT. The City of Stamford suspended charging us rent until we can obtain alternative accommodation, or when we are able to move into our own office building located at 41-45 Stillwater Avenue, Stamford, CT, which is currently under construction.

12. AVAILABILITY AND LIQUIDITY

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

| | |
|--|--------------------|
| Cash | \$ 1,893,705 |
| Short-term investments | 1,038,819 |
| Grants receivable | 1,160,904 |
| Other receivables, net | <u>183,886</u> |
| | 4,277,314 |
| Less amounts not available to be used within twelve months: | |
| Restricted cash | 616,488 |
| Funds restricted as part of project development agreements | 1,000,000 |
| Net assets with donor restrictions | <u>664,794</u> |
| | <u>2,281,282</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$1,996,032</u> |

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization also has a \$750,000 line of credit to utilize for expenses if needed. As of June 30, 2025, the line of credit had no outstanding balance.

13. CONTINGENCIES – GOVERNMENT AUDIT

Pacific House, Inc. and Subsidiaries' various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts reside 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 "questioned costs" as of June 30, 2025.

14. COMMITMENTS AND CONTINGENCIES

The Danbury facility, which had been operating under the Governor of Connecticut Executive Order, through April 2023, is no longer operational as of November 20, 2023.

Although the Danbury facility is no longer operational, it is not abandoned. Utilities, insurance and other operational services are still provided by the Organization.

The Danbury facility was originally purchased during Covid-19 with a grant from the Connecticut Department of Housing. Pacific House, Inc. and Subsidiaries in conjunction with the Connecticut Department of Housing are looking into options to sell the facility to a qualified buyer(s) meeting the requirements of the original grant.

**II. REPORTS IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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

To the Audit Committee and Management for Pacific House, Inc. and Subsidiaries

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 consolidated financial statements of Pacific House, Inc. and Subsidiaries (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pacific House, Inc. and Subsidiaries' 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. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hartford, Connecticut
December 29, 2025

III. UNIFORM GUIDANCE REPORTS

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

To the Audit Committee and Management for
Pacific House, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pacific House, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pacific House, Inc.'s major federal programs for the year ended June 30, 2025 . Pacific House, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pacific House, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pacific House, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pacific House, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pacific House, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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

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

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.

A handwritten signature in cursive script that reads "Whittlesey PC". The signature is written in black ink and is positioned above the typed name and date.

Hartford, Connecticut
December 29, 2025

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2025

| Federal Grantor Pass-through Grantor Program Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|---|---|------------------------------------|-------------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| <i>Direct:</i> | | | | |
| Continuum of Care Program - PSH Supportive Services | 14.267 | CT0096LIE032300 | \$ - | \$ 202,915 |
| Continuum of Care Program - Berkley House | 14.267 | CT0101L1E032316 | - | 223,465 |
| <i>Pass-through:</i> | | | | |
| Continuum of Care Program <i>Pass-through Connecticut Department of Mental Health and Addiction Services</i> | 14.267 | 25MHA2032 | - | 382,786 |
| <i>Pass-through AIDS CT, Inc.</i> | 14.267 | N/A | - | 24,631 |
| <i>Pass-through J.D'Amelia & Associates LLC</i> | 14.267 | N/A | - | 214,932 |
| <i>Pass-through Housing Collective</i> | 14.267 | CT0288/CT0387 | - | 109,797 |
| <i>Pass-through Housing Collective</i> | 14.267 | CT0285 | - | 201,476 |
| <i>Pass-through Housing Collective</i> | 14.267 | CT0342 | - | 70,000 |
| Total Continuum of Care Program | | | <u>-</u> | <u>1,430,002</u> |
| Emergency Solutions Grant Program <i>Pass-through Connecticut Department of Housing</i> | 14.231 | 24DOH0101CN | - | 258,769 |
| Community Development Block Grants/Entitlement Grants <i>Pass-through Town of Greenwich, CT</i> | 14.218 | N/A | - | 17,285 |
| <i>Pass-through City of Stamford, CT</i> | 14.218 | N/A | - | 173,583 * |
| <i>Pass-through City of Stamford, CT</i> | 14.218 | N/A | - | 32,705 |
| <i>Pass-through Connecticut Department of Economic and Community Development</i> | 14.218 | N/A | - | 994,000 * |
| Total Community Development Block Grants/Entitlement Grants | | | <u>-</u> | <u>1,217,573</u> |
| Neighborhood Stabilization Program <i>Pass-through Connecticut Department of Economic and Community Development</i> | 14.256 | N/A | - | 360,000 * |
| Project-Based Rental Assistance (PBRA) <i>Pass-through City of Stamford Housing Section 8 Program</i> | 14.195 | N/A | - | 191,671 |
| Home Investment Partnerships Program <i>Pass - through City of Stamford Home Investment Partnership Program</i> | 14.239 | N/A | - | 580,000 * |
| Total U.S. Department of Housing and Urban Development | | | <u>-</u> | <u>4,038,015</u> |

See accompanying notes to schedule of expenditures of federal awards.

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2025

| Federal Grantor Pass-through Grantor Program Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|---|---|------------------------------------|-------------------------------|
| U.S. Department of Health and Human Services | | | | |
| Social Services Block Grants | | | | |
| <i>Pass - through Connecticut Department of Housing</i> | 93.667 | 24DOH0101CN | - | 426,245 |
| Projects for Assistance in Transition from Homelessness (PATH) | | | | |
| <i>Pass – through Connecticut Department Mental Health and Addiction Services</i> | | | | |
| <i>Pass – through Catholic Charities of Fairfield County</i> | 93.150 | N/A | - | 63,000 |
| Total U.S Department of Health and Human Services | | | - | 489,245 |
| U.S. Department of the Treasury | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | | | | |
| <i>Pass - through Connecticut Office of Policy and Management - City of Stamford</i> | 21.027 | N/A | - | 300,407 |
| <i>Pass - through Connecticut Department Mental Health and Addiction Services</i> | 21.027 | N/A | - | 8,403 |
| <i>Pass - through Connecticut Department of Housing (ARPA Flex Funds)</i> | 21.027 | 25DOHARPA00CN | - | 59,167 |
| <i>Pass - through Connecticut Department of Housing</i> | 21.027 | 23DOH003SLF | - | 471,075 |
| Total U.S. Department of the Treasury | | | - | 839,052 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 5,366,312 |

Note: *Represents outstanding loan balance.

See accompanying notes to schedule of expenditures of federal awards.

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Pacific House, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pacific House, Inc. and Subsidiaries it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pacific House, Inc. and Subsidiaries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pacific House, Inc. and Subsidiaries has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance, for the fiscal year ended June 30, 2025.

NOTE 3 – FEDERAL LOAN PROGRAM

The Organization participates in a federal loan programs administered by the City of Stamford under the HOME Investment Partnerships Program, Connecticut Department of Economic and Community Development (DECD) under the Neighborhood Stabilization Program, and the Town of Greenwich and DECD under the Community Development Block Grants/Entitlement Grants. These loans for the purpose of acquiring, rehabilitating, and renting affordable housing.

Loans outstanding at the beginning of the year and loans made during the year are reported as federal expenditures on the Schedule. These loans are secured by mortgages on real property and are subject to continuing compliance requirements to operate the affordable housing properties according to the terms and conditions of the respective agreements.

The Organization records these loans as liabilities in its financial statements. No interest will be charged and no monthly payments or principal are required provided that the property is not sold or transferred prior to the expiration date. The Organization is responsible for administering the program in compliance with federal regulations.

| Assistance Listing | | Outstanding Balance at | |
|--------------------|---|------------------------|------------------|
| Number | Program Name | June 30, 2025 | |
| 14.218 | Community Development Block Grants/Entitlement Grants | \$ | 173,583 |
| 14.218 | Community Development Block Grants/Entitlement Grants | | 994,000 |
| 14.256 | Neighborhood Stabilization Program | | 360,000 |
| 14.239 | Home Investment Partnerships Program | | 580,000 |
| | Total | \$ | <u>2,107,583</u> |

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of Federal Findings and Questioned Costs

For the year ended June 30, 2025

I. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X 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 2 CFR 200.516(a) of Uniform Guidance?

 X yes _____ no

Identification of Major Programs

| Federal Grantor/Program Title | Federal Assistance Listing Number |
|--|-----------------------------------|
| U.S. Department of Housing and Urban Development Continuum of Care Program | 14.267 |
| U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds | 21.027 |

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of Federal Findings and Questioned Costs

For the year ended June 30, 2025

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. Federal Awards Findings and Questioned Costs

Finding No. 2025-001: Annual Audit Submission – Significant Deficiency

Federal Program Name: All

Pass-through Entity: All

Federal Assistance Listing Number: All

Type of Finding

Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria

As per Title 2 *U.S. Code of Federal Regulations* Part 200, Section 200.512 – Report Submission, the audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors’ report, or nine months after the end of the audit period.

Condition

The Data Collection Form (SF-SAC) was not submitted to the Federal Audit Clearinghouse (FAC) for the past two fiscal years.

Questioned Costs

None.

Context

Although the federal single audits were completed, the audit packages were not subsequently filed with the FAC.

Effect

Failure to submit the federal reporting package by the required deadline results in Pacific House, Inc. and Subsidiary being classified as a high-risk auditee in accordance with federal regulations.

Cause

Management and the prior auditor were unaware of the requirement to submit the audit package to the FAC.

Repeat Finding

No

Recommendation

We recommend that management implement procedures to ensure timely submission of all future Single Audit reporting packages to the Federal Audit Clearinghouse. We also recommend that the required submissions for the prior two fiscal years be completed as soon as possible.

Management’s Response/View of Responsible Officials

Management agrees with this finding, see the Corrective Action Plan.

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of Federal Findings and Questioned Costs

For the year ended June 30, 2025

Finding No. 2025-002: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Significant Deficiency

Federal Program Name: Continuum of Care
Federal Program Title: Direct - PSH Supportive Services
Pass-through Entities: Housing Collective
Federal Assistance Listing Number: 14.267

Federal Program Name: Coronavirus State and Local Fiscal Recovery Funds
Pass-through Entity: City of Stamford
Federal Assistance Listing Number: 21.027

Type of Finding

Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria

Title 2 U.S. *Code of Federal Regulations* Part 200 Subpart E Cost Principles includes the requirement that charges to federal awards for salaries and wages be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives and be signed by both the employee and supervisor.

Condition

The Organization was unable to produce records supporting the allocation of work performed and the distribution of wages to specific grant awards.

Questioned Costs

None.

Context

While timesheets and payroll registers were available, they did not document how hours were allocated across specific federal awards, and no personnel activity reports were provided to substantiate the allocation of wages to each award.

Effect

The basis for allocating costs to federal awards is unsupported by labor distribution reports or personnel activity reports that document the wages charged to each grant program.

Cause

The Organization's charges to federal awards for salaries and wages are not supported by a system of internal control which provides reasonable assurance that the charges to federal awards are accurate, allowable, and properly allocated, and that reasonably reflect the total activity for which the employee is compensated.

Repeat Finding

No

Recommendation

We recommend that the Organization develop, implement and maintain a system of internal controls to support the proper tracking and allocation of wages to federal awards.

Management's Response/View of Responsible Officials

Management agrees with this finding, see the Corrective Action Plan.

IV. STATE SINGLE AUDIT REPORTS

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Audit Committee and Management for
Pacific House, Inc. and Subsidiaries

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Pacific House, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Pacific House, Inc. and Subsidiaries' major state programs for the year ended June 30, 2025. Pacific House, Inc. and Subsidiaries' major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs- state awards.

In our opinion, Pacific House, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State Single Audit Act (C.G.S. Section 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pacific House, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Pacific House, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pacific House, Inc. and Subsidiaries state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pacific House, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pacific House, Inc. and Subsidiaries' compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major state program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Hartford, Connecticut
December 29, 2025

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2025

| State Grantor Pass-through Grantor Program Title | State Grant Program Core-CT Number | Passed Through to Subrecipients | Expenditures |
|--|---------------------------------------|---------------------------------------|-------------------|
| Department of Housing | | | |
| Emergency Shelter Service | 11000-DOH46920-16149 | \$ - | \$ 85,486 |
| Homelessness Prevention & Response Fund <i>Pass-through from Corporation for Supportive Housing</i> | 111000-DOH43665-12055 | - | 100,000 |
| Housing Trust Fund Program | 12066-DOH46900-40001 | - | 373,800 |
| Total Department of Housing | | <u>-</u> | <u>559,286</u> |
| Department of Mental Health and Addiction Services | | | |
| Discharge and Diversion Services | 11000-MHA53000-12330 | - | 237,837 |
| Mental Health Services Grant | 11000-MHA53000-16053 | - | 115,030 |
| Housing Support and Services <i>Pass-through from Housing Collective</i> | 11000-MHA53000-12035 | - | 54,643 |
| Total Department of Mental Health and Addiction Services | | <u>-</u> | <u>407,510</u> |
| Department of Emergency Services and Public Protection | | | |
| Nonprofit Security Grant | 12052-DPS32160-43758 | - | 22,423 |
| Total Expenditures of State Financial Assistance | | <u>\$ -</u> | <u>\$ 989,219</u> |

See accompanying note to the schedule of expenditures of state financial assistance.

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Note to Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the “Schedule”) includes state grant activity of Pacific House, Inc. and Subsidiaries under programs of the State of Connecticut for the fiscal year ended June 30, 2025. 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. Because the schedule presents only a selected portion of the operations of Pacific House, Inc. and Subsidiary, it is not intended and does not present the financial position, changes in net assets, or cash flows of Pacific House, Inc. and Subsidiaries.

The accounting policies of Pacific House, Inc. and Subsidiaries conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

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

Basis of Accounting

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

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of State Findings and Questioned Costs

For the year ended June 30, 2025

I. SUMMARY OF AUDITORS' RESULTS:

Consolidated 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 consolidated 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:

| State Grantor and Program | State Core-CT Number | Expenditures |
|--|-------------------------|------------------|
| Department of Housing Housing Trust Fund Program | 12066-DOH46900-40001 | \$ 373,800 |
| Department of Mental Health and Addiction Services Discharge and Diversion Services | 11000-MHA53000-12330 | 237,837 |
| Dollar threshold used to distinguish between Type A and Type B programs | | <u>\$300,000</u> |

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of State Findings and Questioned Costs

For the year ended June 30, 2025

II. Financial Statement Findings

No matters were reported.

III. State Financial Assistance Findings and Questioned Costs

Finding No. 2025-001: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Significant Deficiency

State Program Name: All

Pass-through Entity: All

State Grant Program CORE-CT Number: All

Type of Finding

Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria

State of Connecticut OPM Cost Standards include the requirement that charges to state awards for salaries and wages be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives.

Condition

The Organization was unable to produce records supporting the allocation of work performed and the distribution of wages to specific grant awards.

Questioned Costs

None.

Context

While timesheets and payroll registers were available, they did not document how hours were allocated across specific state awards, and no personnel activity reports were provided to substantiate the allocation of wages to each award.

Effect

The basis for allocating costs to state awards is unsupported by labor distribution reports or personnel activity reports that document the wages charged to each grant program.

Cause

The Organization's charges to state awards for salaries and wages are not supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated, and that reasonably reflect the total activity for which the employee is compensated.

Repeat Finding

No

**PACIFIC HOUSE, INC.
AND SUBSIDIARIES**

Schedule of State Findings and Questioned Costs

For the year ended June 30, 2025

Recommendation

We recommend that the Organization develop, implement and maintain a system of internal controls to support the proper tracking and allocation of wages to state awards.

Management's Response/View of Responsible Officials

Management agrees with this finding, see the Corrective Action Plan.

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