

PACIFIC HOUSE, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CONNECTICUT

INDEPENDENT AUDITORS' REPORT

Rafael Pagan, Jr.
Pacific House, Inc.
137 Henry Street, Suite 205
P.O. Box 1252
Stamford, CT 06902

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific House, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Pacific House, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific House, Inc., as of June 30, 2020 and 2019, and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2020, on our consideration of Pacific House, Inc.'s, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pacific House, Inc.'s, internal control over financial reporting and compliance.

Haims, Buzzo & Company, P.C.

Certified Public Accountants

Stamford, CT
December 18, 2020

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 456,595	\$ 763,606
Short Term Investments	4,104	17,060
Grant Receivable	1,924,282	2,334,371
Other Receivable	51,211	10,038
Prepaid Expenses	10,973	41,180
<u>Total Current Assets</u>	<u>\$ 2,447,165</u>	<u>\$ 3,166,255</u>
<u>Fixed Assets:</u>		
Mortgage Costs- Net	35,612	18,761
Land, Building and Equipment -Net	15,228,942	11,293,003
<u>Total Fixed Assets</u>	<u>15,264,554</u>	<u>11,311,764</u>
<u>Total Assets</u>	<u>\$ 17,711,719</u>	<u>\$ 14,478,019</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 300,050	\$ 272,737
Deferred Revenue and Refundable Deposits	1,648,002	1,379,898
SBA PPP Forgivable Advance	387,500	-
Notes Payable – Current Portion	362,503	498,034
<u>Total Current Liabilities</u>	<u>\$ 2,698,055</u>	<u>\$ 2,150,669</u>
<u>Long- Term Liabilities:</u>		
Deferred Revenue and Refundable Deposits	3,777,303	3,241,262
Notes Payable – Long -Term Portion	6,264,187	4,741,055
<u>Total Long- Term Liabilities</u>	<u>10,041,490</u>	<u>7,982,317</u>
<u>Total Liabilities</u>	<u>\$ 12,739,545</u>	<u>\$ 10,132,986</u>
<u>NET ASSETS</u>		
<u>Net Assets:</u>		
Net Assets Without Donor Restrictions		
Undesignated	(4,816,134)	(2,769,898)
Net Investment in Land, Building and Equipment	8,602,652	6,072,675
<u>Total Net Assets Without Donor Restrictions</u>	<u>3,786,518</u>	<u>3,302,777</u>
With Donor Restrictions	1,185,656	1,042,256
<u>Total Net Assets</u>	<u>4,972,174</u>	<u>4,345,033</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 17,711,719</u>	<u>\$ 14,478,019</u>

See accompanying notes and independent auditors' report.

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

EXHIBIT "B"

	2020			2019		
	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Grants and Fees from Governmental agencies	\$ 2,000,307	\$ -	\$ 2,000,307	\$ 1,904,240	\$ -	\$ 1,904,240
Rental Income	736,251	-	736,251	536,250	-	536,250
Contributions received directly	104,279	641,833	746,112	345,739	500,000	845,739
Contributions received through United Way agencies	55,500	-	55,500	69,000	-	69,000
In-Kind Contributions	185,446	-	185,446	181,227	-	181,227
Special events, net of expenses of \$144,471 and \$251,984	1,003,445	-	1,003,445	771,022	-	771,022
Investment Income	2,186	-	2,186	476	-	476
Net assets released from restrictions	498,433	(498,433)	-	4,612	(4,612)	-
Total Public Support and Revenue	\$ 4,585,847	\$ 143,400	\$ 4,729,247	\$ 3,812,566	\$ 495,388	\$ 4,307,954
EXPENSES						
Program Services:						
Emergency Shelter	1,534,411	-	1,534,411	1,566,489	-	1,566,489
Permanent Housing	1,700,876	-	1,700,876	1,244,959	-	1,244,959
Housing Development	192,051	-	192,051	201,942	-	201,942
Total Program Services	3,427,338	-	3,427,338	3,013,390	-	3,013,390
Supporting Services:						
Management and General Development	343,505	-	343,505	300,898	-	300,898
	331,263	-	331,263	263,271	-	263,271
Total Supporting Services	674,768	-	674,768	564,169	-	564,169
Total Expenses	4,102,106	-	4,102,106	3,577,559	-	3,577,599
Change in Net Assets	483,741	143,400	627,141	235,007	495,388	730,395
NET ASSETS						
Beginning of Year	3,302,777	1,042,256	4,345,033	3,067,770	546,868	3,614,638
End of Year	\$ 3,786,518	\$ 1,185,656	\$ 4,972,174	\$ 3,302,777	\$ 1,042,256	\$ 4,345,033

See accompanying notes and independent auditors' report.

PACIFIC HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

EXHIBIT "C"

	Emergency Shelter	Permanent Housing	Housing Development	Total Programs	Management and General	Development	Total Support	Total Expenses
PERSONNEL COSTS								
Salaries	\$ 749,527	\$ 551,790	\$ 122,036	\$ 1,423,353	\$ 186,514	\$ 258,647	\$ 445,161	\$ 1,868,514
Employee Benefits	148,234	88,519	16,439	253,192	31,356	35,711	67,067	320,259
Payroll Taxes	65,565	45,090	7,768	118,423	13,877	19,670	33,547	151,970
Total Personnel Costs	\$ 963,326	\$ 685,399	\$ 146,243	\$ 1,794,968	\$ 231,747	\$ 314,028	\$ 545,775	\$ 2,340,743
OTHER EXPENSES								
Client Support - Food Program and Household Office and IT	\$ 120,853	\$ 32,929	\$ -	\$ 153,782	\$ 5,328	\$ 896	\$ 6,224	\$ 160,006
Telephone	35,809	43,056	-	78,865	19,337	1,627	20,964	99,829
Postage	442	74	-	516	5,194	2,526	7,720	8,236
Occupancy	9,461	9,399	103	18,963	6,592	196	6,788	25,751
General Insurance	153,164	317,390	3,149	473,703	2,010	1,839	3,849	3,849
Consultants	33,818	72,383	14,829	121,030	14,000	3,523	17,523	491,226
Legal and Accounting	50,351	19,220	11,390	80,961	1,949	1,949	3,898	124,928
Training and Education	3,350	16,034	2,807	22,191	29,944	-	29,944	110,905
Printing	1,731	694	-	2,425	15,237	-	15,237	37,428
Staff Travel and Conferences	96	1,718	-	2,425	1,161	405	1,566	3,991
Client Assistance	4,780	1,839	-	6,619	1,829	3,760	5,589	7,403
Dues and Subscriptions	14,104	253	-	14,357	3,654	385	4,039	10,658
Interest Expense	150	201	-	351	-	-	-	14,357
Total Other Expenses	\$ 428,109	\$ 108,493	\$ -	\$ 108,493	\$ 2,100	\$ 129	\$ 2,229	\$ 2,580
Total Expenses Before Depreciation and Provisions for Non-Food In-Kind Contributions	\$ 1,391,435	\$ 1,309,082	\$ 178,521	\$ 2,879,038	\$ 340,082	\$ 331,263	\$ 671,345	\$ 3,550,383
Provisions for Non-Food In-Kind Contributions	-	69,415	13,530	82,945	-	-	-	82,945
Depreciation and Amortization	142,976	322,379	-	465,355	3,423	-	3,423	468,778
Total Expenses	\$ 1,534,411	\$ 1,700,876	\$ 192,051	\$ 3,427,338	\$ 343,505	\$ 331,263	\$ 674,768	\$ 4,102,106

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

EXHIBIT "C"

	Emergency	Permanent	Housing	Total	Management	Development	Total Support	Total
	Shelter	Housing	Development	Programs	and General	Development	Total Support	Expenses
Salaries	\$ 747,458	\$ 461,156	\$ 91,182	\$ 1,299,796	\$ 133,657	\$ 208,273	\$ 341,930	\$ 1,641,726
Employee Benefits	155,221	88,855	11,802	255,878	30,833	14,422	45,255	301,133
Payroll Taxes	90,805	30,437	9,545	130,787	10,711	16,634	27,345	158,132
Total Personnel Costs	\$ 993,484	\$ 580,448	\$ 112,529	\$ 1,686,461	\$ 175,201	\$ 239,329	\$ 414,530	\$ 2,100,991

OTHER EXPENSES

Client Support - Food Program and Household Office and IT	\$ 167,583	\$ 7,724	\$ -	\$ 175,307	\$ 4,907	\$ 1,527	\$ 6,434	\$ 181,741
Telephone	38,057	42,788	-	80,845	6,410	192	6,602	87,447
Postage	6,517	3,085	-	9,602	10,734	2,797	13,531	23,133
Occupancy	7,219	6,560	1,080	14,859	6,223	512	6,735	21,594
General Insurance	76	152	153	381	1,362	5,867	7,229	7,610
Consultants	131,636	197,712	3,150	332,498	14,000	3,500	17,500	349,998
Legal and Accounting	29,571	57,749	4,685	92,005	1,708	1,708	3,416	95,421
Training and Education	22,840	52,899	49,371	125,110	39,418	264	39,682	164,792
Printing	2,541	11,420	1,247	15,208	15,747	461	16,208	31,416
Staff Travel and Conferences	2,712	1,064	-	3,776	2,016	165	2,181	5,957
Client Assistance	1,120	540	-	1,660	1,946	6,240	8,186	9,846
Dues and Subscriptions	8,789	2,331	-	11,120	12,784	709	13,493	24,613
Interest Expense	4,122	156	-	4,278	-	-	-	4,278
Total Other Expenses	3,204	1,231	-	4,435	5,251	-	5,251	9,686
	425,987	51,840	-	51,840	-	-	-	51,840
	437,251	59,686	922,924	122,506	23,942	146,448	1,069,372	

Total Expenses Before

Depreciation and Provisions for Non-Food In-Kind Contributions	\$ 1,419,471	\$ 1,017,699	\$ 172,215	\$ 2,609,385	\$ 297,707	\$ 263,271	\$ 560,978	\$ 3,170,363
Provisions for Non-Food In-Kind Contributions	-	-	29,727	29,727	-	-	-	29,727
Depreciation and Amortization	147,018	227,260	-	374,278	3,191	-	3,191	377,469

Total Expenses

	\$ 1,566,489	\$ 1,244,959	\$ 201,942	\$ 3,013,390	\$ 300,898	\$ 263,271	\$ 564,169	\$ 3,577,559
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PACIFIC HOUSE, INC.

STATEMENTS OF CASH FLOWS

JUNE 30.

<u>CASH FLOWS OPERATING ACTIVITIES:</u>	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ 627,141	\$ 730,395
Adjustments to Reconcile Changes in Net Assets to Net Change in Cash from Operating Activities		
Unamortized Discount on Non-Interest Bearing Loan	4,958	4,612
Depreciation and Amortization	468,778	377,469
Changes in Operating Assets and Liabilities		
Grants and Other Receivables	368,916	(666,249)
Contract Advance	-	40,000
Prepaid expenses	30,207	3,614
Accounts Payable and Accrued Expenses	27,313	(72,371)
Deferred Revenue and Refundable Deposits	804,145	477,869
SBA PPP Forgivable Advance	387,500	-
<u>Net Change in Cash From Operating Activities</u>	<u>2,718,958</u>	<u>895,339</u>
<u>CASH FLOWS INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(4,421,568)	(2,395,010)
Short Term Investments	12,956	(7,793)
<u>Net Change in Cash Used From Investing Activities</u>	<u>(4,408,612)</u>	<u>(2,402,803)</u>
<u>CASH FLOWS FINANCING ACTIVITIES:</u>		
Principal Payments on Notes Payable	(3,458,192)	(312,735)
Proceeds from Notes Payable	4,840,835	1,002,978
<u>Net Change in Cash From Financing Activities</u>	<u>1,382,643</u>	<u>690,243</u>
<u>Net Decrease in Cash and Cash Equivalents</u>	<u>(307,011)</u>	<u>(817,221)</u>
<u>CASH AND CASH EQUIVALENTS:</u>		
Beginning of year	763,606	1,580,827
End of year	\$ 456,595	\$ 763,606
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:</u>		
Cash Paid During the Year for:		
Interest	\$ 98,153	\$ 51,840
Income Taxes	-	-

See accompanying notes and
independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

1. **Nature of Activities**

Pacific House, Inc. (formerly) Shelter for the Homeless, Inc. (the "Organization") is a not-for-profit organization which provides emergency shelter, case management, recovery and young adult services to the homeless including supportive housing and housing development serving lower Fairfield County.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

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

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

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

Use of Estimates

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

Federal and State Income Taxes

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

Cash and Cash Equivalents

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

Investments

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

2. Summary of Significant Accounting Policies (continued)***Land, Building and Equipment***

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

Grants and Contracts

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

Contributions

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

Contributed Materials, Meals and Services

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

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

Functional Allocation of Expenses

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

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)***Compensated Absences***

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

3. Newly adopted accounting standards

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

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

Reclassification

Certain reclassifications have been made to the June 30, 2019 financial statements to conform to the June 30, 2020 presentation.

Subsequent Events

Pacific House, Inc. monitored and evaluated any subsequent events for footnote disclosures of adjustments required in its financial statements for the fiscal year ended June 30, 2020 through December 18, 2020 on which the financial statements were available to be issued.

4. Concentration of Credit Risk

Financial instruments that potentially subject Pacific House, Inc., to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U.S. Federal 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, 2020, and 2019, Pacific House, Inc. has an uninsured bank balance of \$126,519 and \$473,076 respectively.

NOTES TO FINANCIAL STATEMENTS

4. Concentration of Credit Risk (continued)

Approximately 41% and 42%, for the years ended June 30, 2020 and 2019 of support and revenue is provided by government grants. As with all government funding, these grants and fees may be subject to reduction or termination in future years. Any significant reduction in these grants and fees could have a significant negative impact on the Organization's program services.

5. Investments

Investments at June 30, consisted of the following:

	<u>2020</u>	<u>2019</u>
Short term money market instruments	<u>\$ 4,104</u>	<u>\$ 17,060</u>

6. Fair Value Measurement

Accounting standards establish a framework for measuring fair value. The framework sets forth a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets 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, 2020 and 2019.

<u>June 30, 2020</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	4,104	4,104	-	-
<u>Total</u>	<u>\$ 4,104</u>	<u>\$ 4,104</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	17,060	17,060	-	-
<u>Total</u>	<u>\$ 17,060</u>	<u>\$ 17,060</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

7. Land, Buildings, And Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,596,117	\$ 1,351,117
Buildings and Improvements	16,845,567	12,710,382
Equipment	<u>694,040</u>	<u>676,281</u>
Subtotal	19,135,724	14,737,780
Less Accumulated Depreciation	<u>3,906,782</u>	<u>3,444,777</u>
Total	<u>\$ 15,228,942</u>	<u>\$ 11,293,003</u>

Depreciation and amortization expense amounted to \$468,778 and \$377,469 for the fiscal years June 30, 2020 and 2019 respectively.

8. Notes Payable

	<u>2020</u>	<u>2019</u>
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Notes payable consist of the following at June 30:

Non-interest bearing Note payable to the City of Stamford, in the amount of \$240,000 due April 2037. Present value of note discounted for interest rate (imputed at 7.5%). The mortgage is secured by the property located at 58 Stone Street, Stamford, CT.

\$	71,066	\$	66,109
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Non-interest bearing Note payable to the City of Stamford, in the amount of \$140,000 due February, 2042. The mortgage is secured by the property located at 38 Ann Street, Stamford, CT.

140,000	140,000
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Non-interest bearing Note payable to the City of Stamford in the amount of \$60,000. The loan is for thirty years and is due June 2043. No interest will be charged and no monthly payments or principal required provided that no default occurs under the conditions of the loan agreement. The mortgage is secured by the property located at 38 Ann Street, Stamford, CT.

60,000	60,000
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Non-interest bearing Note payable to the City of Stamford in the amount of \$86,151. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of the twenty (20) year period. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.

86,151	86,151
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Non-interest bearing Note payable to the City of Stamford in the amount of \$360,000. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of twenty (20) years and is due February 2033. The mortgage is secured by the property located at 23 Spruce Street, Stamford, CT.

360,000	360,000
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NOTES TO FINANCIAL STATEMENTS

8. Notes Payable (continued)	2020	2019
Non-interest bearing NSP Loan Agreement with the City of Stamford modified from \$554,000 to \$854,000. No monthly payments of principal required provided that the property remains very low income housing for forty (40) years from the date of occupancy of the project or until June 1, 2056, whichever shall occur later. The mortgage is secured by the property located at 190 Stillwater Avenue, Stamford, CT.	854,000	854,000
Mortgage payable to First County Bank in the amount of \$235,954, monthly principal and interest installments of \$1,547.19 through May 1, 2034 (effective interest rate of 5.125%). The mortgage is secured by the property located at 104 Richmond Hill Avenue, Stamford, CT.	185,862	194,497
Mortgage payable to First County Bank in the amount of \$1,290,006, monthly principal and interest installments of \$7,790.41. The mortgage is secured by the properties located at 23 Spruce Street, 38 Ann Street, and 17 Berkeley Street, Stamford, CT. The current interest rate is 2.50%. The loan was converted to a mortgage on December 1, 2017.	1,143,984	1,207,511
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.	684,087	703,388
Note payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$400,000. This note shall be satisfied and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation (August 1, 2029) of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate of Occupancy. The note is secured by the property located at 23 Spruce Street, 38 Ann Street, and 17 Berkeley Street, Stamford, CT.	400,000	400,000

NOTES TO FINANCIAL STATEMENTS

8. Notes Payable (continued)	2020	2019
Non-Interest bearing Note payable to the City of Stamford in the amount of \$60,000. No monthly payments of principal required provided that the property remains very low income housing for fifteen (15) years from the date of the project or until November 30, 2025 whichever shall occur later. The mortgage is secured by the property located at 23 Spruce Street, Stamford, CT.	60,000	60,000
Revolving Line of Credit from First County Bank was increased from \$150,000 to 250,000, payments of interest only, variable rate based on "The Wall Street Prime Rate" plus 1.00% percentage points, current interest rate of 4.25%. The line of credit is payable on demand.	240,000	250,000
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	120,000
Non-interest bearing Note payable to the City of Stamford in the amount of \$50,933. The loan is for twenty years and is due 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.	50,933	50,933
Non-interest bearing Note payable to the City of Stamford in the amount of \$13,000. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of the twenty (20) year period. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.	13,000	13,000

NOTES TO FINANCIAL STATEMENTS

8. Notes Payable (continued)	2020	2019
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	-
Mortgage payable to First County Bank in the amount of \$280,000 interest only commencing August 1, 2019 until July 1, 2021 at which time principal and all outstanding interest is due. The mortgage is secured by the property located at 36 Ann Street, Stamford, CT. The current interest rate is 3.25%	280,000	-
Mortgage payable to First County Bank in the amount of \$1,000,000 interest only during the first twenty-four (24) months. After 24-months, the loan will convert to a 23-year amortization schedule with monthly principal and interest payments. The interest rate shall be fixed for five years based on the five-year Federal Home Loan Bank of Boston Regular Classic Advance Rate plus a margin equal to 225 basis points (2.25%) interest rate changes will then occur every five years thereafter. The mortgage is secured by the property located at 20-22-24-26-28 Fairfield Avenue Stamford, CT. The current interest rate is 4.31%.	1,000,000	-

NOTES TO FINANCIAL STATEMENTS

8. Notes Payable (continued)	2020	2019
<p>Non-interest-bearing Note payable to the City of Stamford in the amount of \$23,500. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of twenty (20) years and is due March 2037. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.</p>	23,500	23,500
<p>Loan Payable to Corporation for Supportive Housing in the amount of \$150,000. Interest rate 6% accrued and paid at maturity date, non-amortizing. Maturity date earlier of Borrowers receipt of State of Connecticut Housing Tax Credit funds or July 1, 2020. The loan is for pre-development costs for the front building at 100 S Main St., Norwalk, CT.</p>	14,107	150,000
<p>Note Payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$500,000. This note shall be satisfied and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation (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.</p>	<p style="text-align: right;">500,000</p> <p style="text-align: right;">\$ 6,626,690</p>	<p style="text-align: right;">500,000</p> <p style="text-align: right;">\$ 5,239,089</p>

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

Maturities of the notes payable principles are as follows:

Year Ended June 30,		
2021	\$	362,503
2022		411,080
2023		142,022
2024		146,896
2025 and Thereafter		5,564,189
	\$	6,626,690

NOTES TO FINANCIAL STATEMENTS

9. Note Refundable Advance

In April 2020, Pacific House, Inc., received a loan in the amount of \$387,500 through their bank to cover eligible costs during a 24-week period. The loan was obtained through the Paycheck Protection Program and is guaranteed by the Small Business Administration. Subject to certain guidelines, some or all of the loan may be forgiven. Interest on the portion of the loan that is not forgiven is charged at 1%. Principal and interest payments on the portion that will not be forgiven will be paid over an 18-month period beginning ten months after the end of the 24-week period. Interest payments are deferred for the first 10 months. The proceeds of the loan are recognized as a refundable advance, based on Accounting Standards Codification 958-605, and are included in current liabilities on the Organization's statement of financial position.

10. Net Assets

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

	<u>2020</u>	<u>2019</u>
Net book value of fixed assets	\$ 8,602,652	\$ 6,072,675
General use	<u>(4,816,134)</u>	<u>(2,769,898)</u>
	<u>\$ 3,786,518</u>	<u>\$ 3,302,777</u>

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

	<u>2020</u>	<u>2019</u>
Building	<u>\$1,185,656</u>	<u>\$ 1,042,256</u>

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

	<u>2020</u>	<u>2019</u>
Contributions for Future Periods	\$ 125,698	\$ 4,612
Housing	<u>372,735</u>	<u>-</u>
	<u>\$ 498,433</u>	<u>\$ 4,612</u>

11. Retirement Plan

The Organization maintains a 403(b)-salary deferred retirement plan for its employees under the provisions of the Internal Revenue Code Section 403(b). The employees may elect to defer amounts according to the maximum allowed under Federal guidelines. The plan allows the Organization to make discretionary contributions which are determined annually. The discretionary contributions were \$33,598 and \$26,952 for the years ended June 30, 2020 and 2019 respectively.

NOTES TO FINANCIAL STATEMENTS

12. Lease Commitments

Pacific House, Inc. leased office space in Stamford, Connecticut, through December 2015. As of January 2016, the lease is on a month to month basis. In addition the Organization had leased storage space on a month to month basis which ended on May 31, 2017. Rental expense totaled \$25,950 and \$25,950 for the years ended June 30, 2020 and 2019 respectively.

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

13. Availability and Liquidity

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

	<u>2020</u>
Cash and cash equivalents	\$ 369,219
Grants receivable	807,459
Accounts receivable	<u>51,211</u>
	<u>\$ 1,227,889</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	<u>-</u>
	<u>\$ 1,227,889</u>

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

14. Contingencies – Government Audit

Pacific House, Inc.'s various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with the grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, are not material. There are no costs remaining as unresolved "questions costs" are of June 30, 2020.

15. Coronavirus

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. Through the date that this report was issued, there has not been a significant impact to the organization's operations. Pacific House, Inc., is not able to reliably estimate the length or severity of the outbreak. If the length of the outbreak and related effects on the organization's operations continues for an extended period of time, there could be a loss of revenue and other adverse effects to the organization's financial position, results of operations, and cash flows.