BRIDGE HOUSE

Recovering lives since 1986

Financial Statements and Supplementary Information

Years ended June 30, 2019 and 2018

BRIDGE HOUSE, INC.

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Independent Auditor's Report

To the Board of Directors
Bridge House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of ***Bridge House, Inc.*** (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Bridge House, Inc.*** as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of ***Bridge House, Inc.'s*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Bridge House, Inc.'s*** internal control over financial reporting and compliance.

Solakian & Company, LLC

September 30, 2019

BRIDGE HOUSE, INC.

Statements of Financial Position

June 30, 2019 and 2018

Assets		**2019**	**2018**
Current assets:			
Cash and equivalents	$	80,908	113,971
Investments		1,187,309	1,105,005
Prepaid expenses and other current assets		8,214	11,597
Total current assets		1,276,431	1,230,573
Land, buildings and equipment:			
Land		31,000	31,000
Buildings and improvements		984,098	968,628
Furniture and equipment		62,925	62,925
		1,078,023	1,062,553
Less accumulated depreciation and amortization		837,048	795,801
Land, buildings and equipment, net		240,975	266,752
Other assets:			
Agency assets		9,838	14,118
Total other assets		9,838	14,118
	$	1,527,244	1,511,443

Liabilities and Net Assets			
Liabilities:			
Current portion of long-term debt	$	6,476	6,133
Accounts payable and accrued expenses		80,682	102,159
Agency liabilities		9,838	14,118
Total current liabilities		96,996	122,410
Mortgage payable, less current portion		138,172	132,224
Total liabilities		235,168	254,634
Net assets:			
Without donor restrictions:			
Designated for land, buildings and equipment		861,500	822,000
Undesignated		383,073	390,361
Total net assets without donor restrictions		1,244,573	1,212,361
With donor restrictions		47,503	44,448
Total net assets		1,292,076	1,256,809
	$	1,527,244	1,511,443

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.

Statements of Activities

Years ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Support and revenue:						
Government grants	$ 1,273,067	-	1,273,067	1,268,832	-	1,268,832
Contributions and private grants	72,739	22,553	95,292	60,312	15,100	75,412
Net investment return	42,304	-	42,304	49,606	-	49,606
Special events, less direct expenses	20,453	-	20,453	16,411	-	16,411
Other income	20,188	-	20,188	14,750	-	14,750
Net assets released from restrictions:						
Satisfaction of purpose restriction	19,498	(19,498)	-	16,995	(16,995)	-
Total support and revenue	1,448,249	3,055	1,451,304	1,426,906	(1,895)	1,425,011
Expenses:						
Program	1,144,536	-	1,144,536	1,232,302	-	1,232,302
Management and general	269,650	-	269,650	115,674	-	115,674
Fund raising	1,851	-	1,851	107,946	-	107,946
Total expenses	1,416,037	-	1,416,037	1,455,922	-	1,455,922
Change in net assets	32,212	3,055	35,267	(29,016)	(1,895)	(30,911)
Net assets – beginning of year	1,212,361	44,448	1,256,809	1,241,377	46,343	1,287,720
Net assets – end of year	$ 1,244,573	47,503	1,292,076	1,212,361	44,448	1,256,809

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.

Statements of Functional Expenses

Years ended June 30, 2019 and 2018

	2019				2018			
	Program	**Management and General**	**Fund Raising**	**Total Expenses**	**Program**	**Management and General**	**Fund Raising**	**Total Expenses**
Salaries and wages	$ 698,971	95,000	-	793,971	760,888	27,000	45,800	833,688
Employee benefits	132,546	18,078	-	150,624	164,120	5,940	10,076	180,136
Professional fees and consultants	-	102,133	-	102,133	2,900	55,166	46,500	104,566
Payroll taxes	49,426	10,850	-	60,276	53,262	1,890	5,570	60,722
Food and related costs	51,538	-	-	51,538	57,109	-	-	57,109
Repairs and maintenance	43,454	-	-	43,454	35,893	-	-	35,893
Depreciation and amortization expense	41,247	-	-	41,247	34,014	-	-	34,014
Utilities	35,915	4,275	-	40,190	32,720	1,322	-	34,042
Office supplies and expense	5,700	19,792	1,851	27,343	12,223	12,223	-	24,446
Vehicle and transportation expenses	25,060	-	-	25,060	25,735	-	-	25,735
Direct member support	19,821	-	-	19,821	23,103	-	-	23,103
Other expenses	8,948	7,562	-	16,510	3,976	-	-	3,976
Information technology expense	16,132	-	-	16,132	8,288	3,462	-	11,750
Insurance	8,235	3,533	-	11,768	9,890	3,214	-	13,104
Interest expense	-	8,427	-	8,427	-	5,457	-	5,457
Conferences and travel	7,543	-	-	7,543	8,181	-	-	8,181
Total functional expenses	$ 1,144,536	269,650	1,851	1,416,037	1,232,302	115,674	107,946	1,455,922

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	35,267	(30,911)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		41,247	34,014
Net realized and unrealized (gains) losses on investments		(42,304)	(48,715)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Prepaid expenses and other assets		3,383	1,498
Agency assets		4,280	840
Increase in:			
Accounts payable and accrued expenses		(21,477)	(1,127)
Agency liabilities		(4,280)	(840)
Net cash provided by (used in) operating activities		16,116	(45,241)
Cash flows from investing activities:			
Redemptions (purchases) of investments, net		(40,000)	40,000
Acquisition of land, buildings and equipment		(15,470)	-
Net cash provided by (used in) investing activities		(55,470)	40,000
Cash flows from financing activities:			
Net proceeds (repayment) of mortgage payable		6,291	(10,146)
Net cash provided by (used in) financing activities		6,291	(10,146)
Decrease in cash and equivalents		(33,063)	(15,387)
Cash and equivalents- beginning of year		113,971	129,358
Cash and equivalents- end of year	$	80,908	113,971

Supplemental cash flow information:

Cash paid for interest expense	$	8,427	5,457

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Nature of Operations

Bridge House, Inc. ("Agency") is a not-for-profit association organized under the laws of the state of Connecticut located in Bridgeport, CT. The Agency offers hope and opportunities to people living with mental illness so they can achieve their full potential.

Accredited by the International Center for Clubhouse Development, the Agency supports people living with mental illness to rejoin the worlds of friendship, family, employment, and education. The Agency demonstrates that those living with mental illness can lead productive and satisfying lives.

Financial Statement Presentation

The Agency follows accounting for not-for-profit organizations as outlined in professional standards. Accordingly, the Agency is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts are based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved.

(Continued)

(1) **Summary of Significant Accounting Policies (continued)**

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unrestricted contributions, and contributions that are restricted by the donor, for which the restriction expires in the year in which the contributions are recognized, are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, the restricted net assets are reclassified to net assets without donor restrictions.

Cash and Equivalents and Concentration of Credit Risk

The Agency maintains cash balances at one financial institution. The cash accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, the cash balances may have exceeded the insured limit. The Agency has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Land, Buildings and Equipment

Land, buildings and equipment are depreciated using the straight-line method for financial reporting purposes over their estimated useful lives ranging from five to 39 years on a straight-line basis. Assets having a useful life of more than one year and a cost in excess of $5,000 are capitalized and valued at cost or fair market value, if received through donations. Maintenance, repairs and minor renewals are charged to operations as incurred. The Agency uses the direct expense method for any planned major maintenance activities.

Certain equipment has been acquired with state grant funds. Although in some instances the grantor retains a reversionary right to such assets in the event they are not used for the respective programs, it is the policy of the Agency to capitalize such assets when it considers it probable that it will be permitted to retain the assets when the grant arrangements terminate.

Compensated Absences

It is the Agency's policy that vacation time earned must be used by the end of each fiscal year, unless specific approval for carryover is granted.

(Continued)

(1) **Summary of Significant Accounting Policies (continued)**

Donated Assets and Services

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long the long-lived assets must be maintained, the Agency reports expirations of donor restrictions in full when the respective long-lived assets are placed in service.

The Agency recognizes donated services or goods at their estimated fair market value if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation.

Income Taxes

The Agency is exempt from federal and state income taxes pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision for income taxes is recorded in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Agency and recognize a tax liability (or asset) if it has taken an uncertain position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions, and has concluded that as of June 30, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2016.

Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 30, 2019, which is the date the financial statements were available to be issued.

(Continued)

(2) Investments and Fair Value Measurements

Long term investments, managed by a financial institution in various accounts, are stated at fair value and consist primarily of equities, U.S. Treasury obligations and corporate bonds.

Investment account balances consist of the following as of June 30:

2019	Cost	Fair value	Unrealized gains (losses)
Fixed income securities	$ 210,907	215,803	4,896
U.S. Government securities	82,803	83,758	955
Equities and other	792,904	887,748	94,844
Total	$ 1,086,614	1,187,309	100,695

2018	Cost	Fair value	Unrealized gains (losses)
Fixed income securities	$ 156,889	156,446	(443)
U.S. Government securities	351,887	346,778	(5,109)
Equities and other	459,908	601,781	141,873
Total	$ 968,684	1,105,005	136,321

Investment income, including unrealized gains (losses) and net of fees, for the years ended June 30, 2019 and 2018 was approximately $42,300 and 49,600, respectively.

The Agency has adopted FASB Accounting Standards Codification 820 which, among other things, defines fair value, establishes a hierarchal framework for measuring fair value and expands disclosure about fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is organized into three levels based upon the assumptions (“inputs”), as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly with fair value being determined through the use of models or other valuation methodologies.

Level 3 Inputs are unobservable inputs for the asset or liability and are used to the extent that observable inputs do not exist. Level 3 inputs require significant management judgment and estimation. Factors considered include the purchase cost, prices of recent private placements, liquidity of the investment, and changes in financial condition of the issuer.

The Agency values its investments in readily marketable securities using Level 1 Inputs.

(Continued)

(3) Major Revenue and Support

The Agency received approximately 88% of its operating revenue and support in 2019 under various fee for service agreements or contracts with government agencies. Any significant decrease or elimination in these contracts would have a major adverse impact on the operations of the Agency.

The payments received from government agencies are subject to audit as well as an ultimate determination of the allowability of program costs. Any disallowance subsequent to the completion of any program could result in additional liabilities to the Agency.

(4) Agency Assets and Liabilities

The Agency acts as an agent with respect to receiving, holding and disbursing funds belonging to its members. As of June 30, 2019 and 2018, Agency assets consisted of cash of approximately $9,800 and $14,100, respectively, with a corresponding liability due to members.

(5) Operating Leases

The following is a summary of the Agency's operating leases for facilities in effect for the year ended June 30, 2019:

Homeless Outreach Program

The Homeless Outreach Program operates from off-site office space provided by a grantor agency. The grantor agency is not charging rent for the space and there is no provision for rent expense in the grant budget.

Equipment

The Agency leases various vans on a noncancellable operating basis for member transportation. The leases provide for varying monthly payments, and expire at various times through October 2019. Additionally, the Agency leases office equipment on an operating basis at a rental of approximately $300 per month.

Total rent expense totaled approximately $16,900 and $17,100 for 2019 and 2018, respectively.

(6) Mortgage Note Payable and Line of Credit

During July 2018, the Agency refinanced its existing mortgage note payable. The new $150,000 mortgage note is payable in monthly installments of $1,253, with interest at 5.76%, through 2033. The note is secured by real property.

The approximate aggregate maturities of long-term debt for fiscal years ending after June 30, 2019 are as follows: 2020, $6,500; 2021, $6,800; 2022, $7,200; 2023, $7,600; 2024, $8,100 and $108,500 thereafter.

Interest incurred and paid was approximately $8,400 and $5,500 for 2019 and 2018, respectively.

(Continued)

(6) **Mortgage Note Payable (continued)**

The Agency also has a $50,000 working capital line of credit with a local bank which provides for an interest rate of prime plus 2%. This line of credit has not been used to date, and is not anticipated to be needed at this time.

(7) **Employee Benefit Plans**

The Agency has a 403(b) Elective Deferral Plan ("Plan") which covers all employees over age 21 with 1,000 hours of annual service after one year of employment, and employees' elective deferral contributions up to IRS limitations. The Agency may also make discretionary contributions. Elective deferrals are vested 100% and Agency contributions are 100% vested over six years or upon the Participant reaching a certain age.

For the years ended June 30, 2019 and 2018, the Agency made contributions of approximately $34,400 and $41,200, respectively.

(8) **Unemployment Compensation Trust**

The Agency has opted out of the State of Connecticut Unemployment Compensation System, and has elected to pay contributions to the Unemployment Services Trust ("UST"). During previous years, the Agency became aware that it had accumulated estimated accumulated experience credits and requested and received cash refunds. The Agency will be liable to pay unemployment benefits in excess of any funds remaining in their account with UST.

For the years ended June 30, 2019 and 2018, UST reported nominal claims paid and other cash transactions, and the Agency account earned estimated income and experience credits. At June 30, 2019, UST has reported an estimated remaining balance of approximately $26,100 in the Agency's account, and the Agency's financial statements reflect an estimated liability of approximately $24,600.

(9) **Net Assets with Donor Restrictions**

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

	2019	2018
Purpose restriction:		
Ruderman/Knight and Breither Education Fund	$ 31,638	32,426
Newman's Own Foundation	10,865	11,182
Near and Far Travel	5,000	-
Housing Assistance and other	-	840
Total net assets with donor restrictions	$ 47,503	44,448

(Continued)

(10) **Implementation of New Accounting Pronouncement**

The Financial Accounting Standards Board issued Accounting Standards Codification 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), effective for periods beginning after December 15, 2017. Several changes to nonprofit financial reporting include:

- Improvements to the presentation and disclosures for net assets classes from the previous three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two classes (without donor restrictions and with donor restrictions).
- Allowing free choice between the direct and indirect methods in presenting cash flows.
- Providing better information about functional expenses and disclosures about how expenses are allocated to management and general.
- Augmenting disclosures on underwater endowment funds.
- Unifying the reporting of investment returns.
- Enhancements to information provided about the liquidity and availability of financial resources.

The new standard aims to improve reporting the liquidity and availability of resources. Qualitative information will be required to be disclosed on how the Agency manages its liquid available resources and its liquidity risk to meet cash needs for general expenditures within one year of the year-end date.

Early application of the above changes is permitted and the Agency implemented them for the year ended June 30, 2018.

(11) **Liquidity and Availability of Resources**

The Agency has approximately $1,229,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and equivalents of $81,000, investments of $1,140,000, and prepaid expenses and other current assets of $8,000. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Agency has a goal to maintain financial assets, which consist of cash and equivalents and pledges and other receivables, on hand to meet 180 days of annual operating expenses, which are, on average, approximately $750,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Agency invests cash in excess of daily requirements in various short-term investments.

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Solakian & Company, LLC
Certified Public Accountants

AICPA GAQC Member

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of Directors
Bridge House, Inc.:

We have audited, 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 the financial statements of Bridge House, Inc. ("Organization") which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, and cash flows as of and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Solakian + Company, LLC

September 30, 2019

Solakian & Company, LLC
Certified Public Accountants

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AICPA GAQC Member

Independent Auditors' Report On Compliance For Each Major State Program And On Internal Control Over Compliance Required By The State Single Audit Act

To the Board of Directors
Bridge House, Inc.:

Report on Compliance for Each Major State Program

We have audited Bridge House, Inc.'s ("Organization") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Organization's major state programs for the year ended June 30, 2019. The Organization's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

(Continued)

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Solakian & Company, LLC

September 30, 2019

BRIDGE HOUSE, INC.

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2019

State Grantor Pass-through Grantor Program Title	State Grant Program Identification Number	Expenditures
Department of Mental Health and Addiction Services:		
Psychiatric and Mental Health Services	11000-MHA53000-16053	$ 1,195,860
Grants for Substance Abuse Services	11000-MHA53000-16003	74,317
Total state financial assistance		$ 1,270,177

NOTES TO SCHEDULE

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Bridge House, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund the Psychiatric and Mental Health Services programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

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

2. LOAN PROGRAMS

None.

BRIDGE HOUSE, INC.

Schedule of Findings and Questioned Costs – State Financial Assistance

Year ended June 30, 2019

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	____ yes __X__ no
• Significant deficiency(ies) identified?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

State Financial Assistance

Internal control over major programs:

• Material weakness(es) identified?	____ yes __X__ no
• Significant deficiency(ies) identified?	____ yes __X__ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	____ yes __X__ no

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

State Grantor and Program	State Grant Program Identification #	Expenditures
Department of Mental Health and Addiction Services:		
Psychiatric and Mental Health Services	11000-MHA53000-16053	$ 1,195,860
Grants for Substance Abuse Services	11000-MHA53000-16003	$ 74,317

• Dollar threshold used to distinguish between type A and type B programs $ 200,000

(Continued)

II. Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2019.

III. State Financial Assistance Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the state financially assisted programs are questioned or recommended to be disallowed.