



Recovering lives since 1986

Financial Statements and Supplementary Information

Years ended June 30, 2020 and 2019

DRAFT

BRIDGE HOUSE, INC.

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Years ended June 30, 2020 and 2019

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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, 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.

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, 2020 and 2019, 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, 2020 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.

Solution + Company, LLC

September 30, 2020

BRIDGE HOUSE, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and equivalents	\$ 113,529	80,908
Investments	1,250,218	1,187,309
Prepaid expenses and other current assets	<u>15,733</u>	<u>8,214</u>
Total current assets	<u>1,379,480</u>	<u>1,276,431</u>
Land, buildings and equipment:		
Land	31,000	31,000
Buildings and improvements	984,098	984,098
Furniture and equipment	<u>62,925</u>	<u>62,925</u>
	1,078,023	1,078,023
Less accumulated depreciation and amortization	<u>860,437</u>	<u>837,048</u>
Land, buildings and equipment, net	<u>217,586</u>	<u>240,975</u>
Other assets:		
Agency assets	<u>13,380</u>	<u>9,838</u>
Total other assets	<u>13,380</u>	<u>9,838</u>
	<u>\$ 1,610,446</u>	<u>1,527,244</u>
 <i>Liabilities and Net Assets</i> 		
Liabilities:		
Current portion of long-term debt	\$ 6,838	6,476
Accounts payable and accrued expenses	112,831	80,682
Agency liabilities	<u>13,380</u>	<u>9,838</u>
Total current liabilities	<u>133,049</u>	<u>96,996</u>
Mortgage payable, less current portion	<u>131,063</u>	<u>138,172</u>
Total liabilities	<u>264,112</u>	<u>235,168</u>
Net assets:		
Without donor restrictions:		
Designated for land, buildings and equipment	915,000	861,500
Undesignated	<u>393,341</u>	<u>383,073</u>
Total net assets without donor restrictions	1,308,341	1,244,573
With donor restrictions	<u>37,993</u>	<u>47,503</u>
Total net assets	<u>1,346,334</u>	<u>1,292,076</u>
	<u>\$ 1,610,446</u>	<u>1,527,244</u>

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.

Statements of Activities

Years ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Government grants	\$ 1,283,294	-	1,283,294	1,273,067	-	1,273,067
Net investment return	62,909	-	62,909	42,304	-	42,304
Contributions and private grants	61,560	275	61,835	72,739	22,553	95,292
Other income	16,835	-	16,835	20,188	-	20,188
Special events, less direct expenses	13,901	-	13,901	20,453	-	20,453
Net assets released from restrictions:						
Satisfaction of purpose restriction	9,785	(9,785)	-	19,498	(19,498)	-
	1,448,284	(9,510)	1,438,774	1,448,249	3,055	1,451,304
Total support and revenue						
Expenses:						
Program	1,192,511	-	1,192,511	1,144,536	-	1,144,536
Management and general	189,606	-	189,606	269,650	-	269,650
Fund raising	2,399	-	2,399	1,851	-	1,851
	1,384,516	-	1,384,516	1,416,037	-	1,416,037
Total expenses						
Change in net assets	63,768	(9,510)	54,258	32,212	3,055	35,267
Net assets – beginning of year	1,244,573	47,503	1,292,076	1,212,361	44,448	1,256,809
Net assets – end of year	\$ 1,308,341	37,993	1,346,334	1,244,573	47,503	1,292,076

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.

Statements of Functional Expenses

Years ended June 30, 2020 and 2019

	2020				2019			
	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 744,471	104,083	-	848,554	698,971	95,000	-	793,971
Employee benefits	104,332	15,092	-	119,424	132,546	18,078	-	150,624
Payroll taxes	64,411	5,754	-	70,165	49,426	10,850	-	60,276
Repairs and maintenance	55,731	424	-	56,155	43,454	-	-	43,454
Professional fees and consultants	10,800	45,301	-	56,101	-	102,133	-	102,133
Food and related costs	50,755	-	-	50,755	51,538	-	-	51,538
Utilities	40,128	2,785	-	42,913	35,915	4,275	-	40,190
Vehicle and transportation expenses	27,355	-	-	27,355	25,060	-	-	25,060
Direct member support	24,257	-	-	24,257	19,821	-	-	19,821
Depreciation and amortization expense	23,389	-	-	23,389	41,247	-	-	41,247
Office supplies and expense	15,357	3,250	1,978	20,585	5,700	19,792	1,851	27,343
Information technology expense	10,800	-	-	10,800	16,132	-	-	16,132
Conferences and travel	10,462	-	-	10,462	7,543	-	-	7,543
Insurance	6,269	3,235	-	9,504	8,235	3,533	-	11,768
Interest expense	-	8,571	-	8,571	-	8,427	-	8,427
Other expenses	3,994	1,111	421	5,526	8,948	7,562	-	16,510
Total functional expenses	\$ 1,192,511	189,606	2,399	1,384,516	1,144,536	269,650	1,851	1,416,037

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.**Statements of Cash Flows****Years ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 54,258	35,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	23,389	41,247
Net realized and unrealized (gains) losses on investments	(62,909)	(42,304)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Prepaid expenses and other assets	(7,519)	3,383
Agency assets	(3,542)	4,280
Increase in:		
Accounts payable and accrued expenses	32,149	(21,477)
Agency liabilities	3,542	(4,280)
	<u>39,368</u>	<u>16,116</u>
Net cash provided by operating activities		
	<u>39,368</u>	<u>16,116</u>
Cash flows from investing activities:		
Redemptions (purchases) of investments, net	-	(40,000)
Acquisition of land, buildings and equipment	-	(15,470)
	<u>-</u>	<u>(55,470)</u>
Net cash used in investing activities		
	<u>-</u>	<u>(55,470)</u>
Cash flows from financing activities:		
Net proceeds (repayment) of mortgage payable	(6,747)	6,291
	<u>(6,747)</u>	<u>6,291</u>
Net cash provided by (used in) financing activities		
	<u>(6,747)</u>	<u>6,291</u>
Increase (decrease) in cash and equivalents	32,621	(33,063)
Cash and equivalents- beginning of year	<u>80,908</u>	<u>113,971</u>
Cash and equivalents- end of year	<u>\$ 113,529</u>	<u>80,908</u>
Supplemental cash flow information:		
Cash paid for interest expense	<u>\$ 8,571</u>	<u>8,427</u>

See accompanying notes to financial statements.

BRIDGE HOUSE, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(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 Clubhouse International, 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, or when the stipulated purpose for which the resource was restricted has been fulfilled.

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.

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.

(Continued)

BRIDGE HOUSE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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.

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.

(Continued)

BRIDGE HOUSE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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, 2020, 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 2017.

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, 2020, which is the date the financial statements were available to be issued.

(2) Major Revenue and Support

The Agency received approximately 89% of its operating revenue and support in 2020 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.

(Continued)

BRIDGE HOUSE, INC.

Notes to Financial Statements

(3) 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:

<u>2020</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains (losses)</u>
Fixed income securities	\$ 207,955	224,390	16,435
U.S. Government securities	98,124	98,655	531
Equities and other	<u>788,601</u>	<u>927,173</u>	<u>138,572</u>
Total	\$ <u>1,094,680</u>	<u>1,250,218</u>	<u>155,538</u>
<u>2019</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains (losses)</u>
Fixed income securities	\$ 210,907	215,803	4,896
U.S. Government securities	82,803	83,758	955
Equities and other	<u>792,904</u>	<u>887,748</u>	<u>94,844</u>
Total	\$ <u>1,086,614</u>	<u>1,187,309</u>	<u>100,695</u>

Investment income, including unrealized gains (losses) and net of fees, for the years ended June 30, 2020 and 2019 was approximately \$62,900 and \$42,300, 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)

BRIDGE HOUSE, INC.

Notes to Financial Statements

(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, 2020, and 2019, Agency assets consisted of cash of approximately \$13,400 and \$9,800, 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, 2020:

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 in October 2022. Additionally, the Agency leases office equipment on an operating basis at a rental of approximately \$300 per month.

Total rent expense totaled approximately \$21,100 and \$16,900 for 2020 and 2019, respectively.

(6) Mortgage Note Payable and Line of Credit

The Agency has a mortgage note payable in the amount of \$150,000 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: 2021, \$6,800; 2022, \$7,200; 2023, \$7,600; 2024, \$8,100; 2025, \$8,500; and \$99,800 thereafter.

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.

Interest incurred and paid was approximately \$8,600 and \$8,400 for 2020 and 2019, respectively.

(Continued)

BRIDGE HOUSE, INC.

Notes to Financial Statements

(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, 2020 and 2019, the Agency made contributions to the Plan of approximately \$30,800 and \$34,400, 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, 2020 and 2019, UST reported nominal claims paid and other cash transactions, and the Agency account earned estimated income and experience credits. At June 30, 2020, UST has reported an estimated remaining balance of approximately \$18,100 in the Agency's account, and the Agency's financial statements reflect an estimated liability of approximately \$22,600.

(9) Liquidity and Availability of Resources

The Agency's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and equivalents	\$ 74,000
Investments	<u>1,250,000</u>
Total Financial Assets Available Within One Year	1,324,000
Less amounts unavailable to management without Board approval:	
Board designated funds	<u>915,000</u>
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ <u>409,000</u>

The Agency has a goal to maintain financial assets, which consist of cash and equivalents and pledges and other receivables, on hand to meet 90 days of annual operating expenses, which are, on average, approximately \$350,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(Continued)

BRIDGE HOUSE, INC.

Notes to Financial Statements

(10) Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose restriction:		
Ruderman/Knight and Breither Education Fund	\$ 29,679	31,638
Newman's Own Foundation	4,294	10,865
Near and Far Travel	<u>4,020</u>	<u>5,000</u>
Total net assets with donor restrictions	\$ <u>37,993</u>	<u>47,503</u>

(11) Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position with a corresponding liability. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic entities for the reporting period beginning after December 15, 2021. The Agency has not yet evaluated the impact of this statement.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The provisions of ASU 2018-08 are effective for years beginning after December 15, 2019. The Agency has not yet evaluated the impact of this statement.

(12) Subsequent Events relating to COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency's financial condition, liquidity, and future operations, and management is actively monitoring the global situation. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to estimate the effects of the outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

The Agency's operations are heavily dependent on various federal, state and local grants. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, its financial condition and liquidity may be negatively impacted in fiscal year 2021.



**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, 2020 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, 2020.

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) as a basis for designing 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 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 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.

Solutions + Company, LLC

September 30, 2020

DRAFT

**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, 2020. 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, 2020.

(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.

Solution + Company, LLC

September 30, 2020

BRIDGE HOUSE, INC.

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2020

<u>State Grantor Pass-through Grantor Program Title</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Department of Mental Health and Addiction Services:		
Psychiatric and Mental Health Services	11000-MHA53000-16053	\$ 1,204,267
Grants for Substance Abuse Services	11000-MHA53000-16003	<u>74,317</u>
Total state financial assistance		\$ <u>1,278,584</u>

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, 2020. 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, 2020

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 no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of 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 no

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

<u>State Grantor and Program</u>	<u>State Grant Program Identification #</u>	<u>Expenditures</u>
Department of Mental Health and Addiction Services:		
Psychiatric and Mental Health Services	11000-MHA53000-16053	\$ <u>1,204,267</u>
Grants for Substance Abuse Services	11000-MHA53000-16003	\$ <u>74,317</u>
• Dollar threshold used to distinguish between type A and type B programs		\$ <u>200,000</u>

(Continued)

II. Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2020.

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.

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