

Fraternity House, Inc.
Audited Financial Statements
For the Year Ended June 30, 2025



Presented by
Pinnacle Accounting & Financial Services
A Professional Corporation

Fraternity House, Inc.
Audited Financial Statements
For the Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fraternity House, Inc.
Vista, CA

Opinion

We have audited the accompanying financial statements of Fraternity House, Inc. (a California nonprofit organization), which comprises the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fraternity House, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Summarized Comparative Information

We have previously audited Fraternity House, Inc.'s June 30, 2024, financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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 federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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 schedule of expenditures of federal awards 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 February 11, 2026, on our consideration of the Fraternity 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 the effectiveness of the Fraternity House, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fraternity House, Inc.'s internal control over financial reporting and compliance.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
February 11, 2026

Fraternity House, Inc.
Statements of Financial Position
June 30, 2025
(With Comparative Totals for June 30, 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash	\$ 80,968	\$ 22,511
Investment	1,459	93,121
Grants & accounts receivable	84,431	135,118
Prepaid expenses	<u>13,099</u>	<u>18,858</u>
Total Current Assets	179,956	269,608
Noncurrent Assets		
Property and equipment, (net)	<u>158,929</u>	<u>179,400</u>
Total Noncurrent Assets	158,929	179,400
Total Assets	<u>\$ 338,886</u>	<u>\$ 449,007</u>
 LIABILITIES AND NET ASSETS		
 LIABILITIES		
Current Liabilities		
Accounts payable & accrued expenses	\$ 10,163	\$ 11,203
Accrued payroll expense	<u>34,610</u>	<u>27,549</u>
Total Current Liabilities	44,773	38,752
Total Liabilities	<u>44,773</u>	<u>38,752</u>
 NET ASSETS		
Without donor restrictions	113,593	220,203
With donor restrictions	<u>180,520</u>	<u>190,052</u>
Total Net Assets	<u>294,113</u>	<u>410,255</u>
Total Liabilities and Net Assets	<u>\$ 338,886</u>	<u>\$ 449,007</u>

The accompanying notes are an integral part of the financial statements

Fraternity House, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2025
(With Summarized Comparative Totals for June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Government Grants	\$ 884,082	\$ -	\$ 884,082	\$ 903,482
Contributions of financial assets	130,995	-	130,995	268,414
Residential Services	111,937	-	111,937	112,273
Contributions of non-financial assets	66,636	-	66,636	66,636
Sale of Asset	8,000	-	8,000	-
Unrealized gain on investments	4,001		4,001	2,440
Other Income	2,527	-	2,527	7,650
Special Events	15,791	-	15,791	10,385
Less: Special Events Costs	(2,684)	-	(2,684)	(1,521)
Net sssets released from restrictions	9,532	(9,532)	-	-
TOTAL SUPPORT AND REVENUE	1,230,817	(9,532)	1,221,285	1,369,758
EXPENSES				
Program services	1,184,783	-	1,184,783	1,171,451
Management and general	140,803	-	140,803	133,158
Fundraising	11,841	-	11,841	-
TOTAL EXPENSES	1,337,428	-	1,337,428	1,304,609
CHANGE IN NET ASSETS	(106,610)	(9,532)	(116,142)	65,149
Net Assets at Beginning of Year	220,203	190,052	410,255	345,106
Net Assets at End of Year	<u>\$ 113,593</u>	<u>\$ 180,520</u>	<u>\$ 294,113</u>	<u>\$ 410,255</u>

The accompanying notes are an integral part of the financial statements

Fraternity House, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Summarized Comparative Totals for June 30, 2024)

	2025				2024
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Personnel Expenses					
Salaries and wages	\$ 549,735	\$ 77,480	\$ -	\$ 627,215	\$ 577,701
Payroll taxes	48,257	5,362	-	53,619	53,232
Workers compensation	18,929	2,103	-	21,032	41,451
Employee benefits	31,672	3,600	-	35,272	37,119
Total Personnel Expenses	<u>648,593</u>	<u>88,545</u>	<u>-</u>	<u>737,138</u>	<u>709,503</u>
Non-Personnel Expenses					
Semi-independent living	309,465	-	-	309,465	270,688
Contribution of non-financial asset	66,636	-	-	66,636	66,636
Professional services	9,213	39,718	8,241	57,172	46,380
Utilities	31,982	3,554	-	35,536	49,785
Food and supplies	25,628	-	-	25,628	46,295
Depreciation	18,423	2,047	-	20,470	15,397
Insurance	17,534	1,948	-	19,483	17,639
Dignity project	18,826	-	-	18,826	19,715
Repairs and maintenance	17,343	-	-	17,343	23,889
Auto expense and mileage	15,217	1,691	-	16,908	12,906
Marketing & outreach	2,745	-	3,600	6,345	5,719
Office expenses	1,435	1,435	-	2,869	16,528
Bad debt expense	-	1,866	-	1,866	1,436
Resident services	1,742	-	-	1,742	2,092
Total Non-Personnel Expenses	<u>536,190</u>	<u>52,258</u>	<u>11,841</u>	<u>600,290</u>	<u>595,106</u>
Total Functional Expenses FY2025	\$ <u>1,184,783</u>	\$ <u>140,803</u>	\$ <u>11,841</u>	\$ <u>1,337,428</u>	
Total Functional Expenses FY2024	\$ <u>1,171,451</u>	\$ <u>133,158</u>	\$ <u>-</u>		\$ <u>1,304,609</u>

The accompanying notes are an integral part of the financial statements

Fraternity House, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals for June 30, 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (116,142)	\$ 65,149
Adjustments to Reconcile Change in Net Assets		
Net Cash Provided (Used) by Operating Activities		
Depreciation	20,470	15,397
Unrealized Gain on Investment	(4,001)	(2,440)
(Increase) / Decrease in Assets:		
Government Contracts/Grants Receivable	50,688	(11,330)
Prepaid Expenses	5,759	(15,308)
Increase / (Decrease) in Liabilities:		
Accounts Payable	(1,040)	(9,062)
Accrued payroll expense	7,060	6,986
Deferred rent	-	(1,650)
Net Cash Provided (Used) by Operating Activities	<u>(37,205)</u>	<u>47,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	-	(35,023)
Sale of Investments	<u>95,662</u>	<u>-</u>
Net Cash Provided (Used) in Investing Activities	<u>95,662</u>	<u>(35,023)</u>
Net Increase (Decrease) in Cash	58,457	12,719
Cash Balance at Beginning of Year	<u>22,511</u>	<u>9,792</u>
Cash Balance at End of Year	\$ <u>80,968</u>	\$ <u>22,511</u>

The accompanying notes are an integral part of the financial statements

Fraternity House, Inc.
Notes to Financial Statements
Year Ended June 30, 2025

Note 1. Organization and Purpose:

Fraternity House, Inc. (the Organization) is a California nonprofit organization that operates one residential care facility for the chronically ill: Michaelle House in Vista, California. The home is licensed by the State of California. The Organization provides a warm and caring home where men and women disabled by HIV/AIDS can receive comprehensive care and services in order to rebuild their health and return to independent living, or where they can spend their last days in comfort and dignity.

The Organization also operates a growing number of Semi-Independent Living apartments for individuals living more independently with HIV/AIDS, where residents have access to ongoing case management and opportunities to build a rental history.

The Organization generates revenue primarily from contributions, grants, and resident services income.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Essentially, all revenue is recognized when earned and expenses are recognized when incurred. Promises to give are recorded as received.

Basis of Presentation: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. These generally result from revenues generated by providing services and receiving unrestricted contributions incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – Net assets subject to donor-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 those 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.

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with the initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of June 30, 2025.

Grants & Accounts Receivable: Grants receivable are reimbursements related to government contracts that are fully collectible. Accounts receivable represents amounts due from residents for rental income. Accounts receivables are stated at the amount management expects to collect from outstanding balances. The allowance, if any, is established based on factors such as historical experience and the age of the account balances. At June 30, 2025, the accounts receivable are fully collectible, therefore no allowance for uncollectable accounts has been recorded.

Prepaid Expenses: Expense items of a nature which will benefit future periods are charged to the prepaid expense account and are amortized over the actual periods benefitted.

Fraternity House, Inc.
Notes to Financial Statements
Year Ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued):

Property and Equipment: Acquisitions of property and equipment over \$1,000 are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. The Organization depreciates its property and equipment on a straight-line basis over the estimated useful lives of the underlying assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the lives of the respective assets.

Investments: The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue Recognition: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without restrictions.

Revenue from grants is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant authorized. Deferred revenue results from grant awards received that are applicable to the subsequent period.

Revenue from residential services is recorded at the time when the services are provided.

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. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the estimated future cash flows of pledges receivable and the functional allocation of expenses.

Contribution of non-financial assets: Volunteers contribute significant amounts of time to the program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

Comparative Financial Information: The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, it should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Fraternity House, Inc.
Notes to Financial Statements
Year Ended June 30, 2025

Note 3. Income Tax Status:

The Organization is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and California code 23701(d), whereby it is exempt from income taxes. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Organization's management has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Organization's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the Franchise Tax Board, generally for four years after they are filed.

Note 4. Concentrations:

Cash: The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2025, the balances were fully insured.

Support and Revenue: The Organization receives a significant portion of its revenues from government grants. Revenues from such sources comprised approximately 72% of total revenue and support during the year ended June 30, 2025. Receivables from HOPWA and HHS comprise 81% and 13%, respectively, of Grants and Accounts Receivable, and were fully received after year end.

Note 5. Property and Equipment:

Property and equipment for the year ended June 30, 2025, consist of the following:

	Balance July 1, 2024	Additions	Deletion	Balance June 30, 2025
Land - Michaelle House (MH)	\$ 90,000	\$ -	\$ -	\$ 90,000
Building and Improvements	510,293	-	-	510,293
Furniture and Fixtures	58,090	-	-	58,090
Vehicles	50,727	-	(28,939)	21,788
Total Property and Equipment	709,110	-	(28,939)	680,170
Less Accumulated Depreciation	(529,710)	(20,470)	28,939	(521,241)
Net Property and Equipment	\$ 179,400	\$ (20,470)	\$ -	\$ 158,929

Note 6. Net Assets with Donor Restrictions:

Michaelle House in Vista is restricted for a specific purpose for residents to live and receive care. Its value was \$180,520 on June 30, 2025. The net assets released from restriction of \$9,532 represents the current year depreciation of Michaelle House.

Fraternity House, Inc.
Notes to Financial Statements
Year Ended June 30, 2025

Note 7. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year End:	
Cash	\$ 80,968
Investment	1,459
Grants & accounts receivable	<u>84,431</u>
Total Financial Assets	<u>166,858</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 166,858</u>

As part of the Organization liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments.

Note 8. Investments:

As of June 30, 2025, the Organization's investment account with fair value in the amount of \$1,459 held at Raymond James is considered a short-term investment and is currently held as cash.

Note 9. Fair Value Measurements:

The Organization report certain assets at fair value in the financial statements. Fair value is 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. A fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

Level 2: Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly such as quoted prices for similar assets or liabilities in active markets or inactive markets, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, the Organization measures fair value using Level 1 inputs because it generally provides the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fraternity House, Inc.
Notes to Financial Statements
Year Ended June 30, 2025

Note 9. Fair Value Measurements (continued):

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments. The table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2025:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Assets:				
Cash	\$ 1,459	\$ 1,459	\$ -	\$ -
Total Financial Assets	\$ <u>1,459</u>	\$ <u>1,459</u>	\$ <u>-</u>	\$ <u>-</u>

Note 10. Functional Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Management and general expenses and fund-raising expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note 11. Contributed Nonfinancial Assets:

The Organization had a lease agreement with the County of San Diego for Fraternity House, a residence located in Escondido, California, which provided accommodation for program participants. The initial five-year lease expired in May 2015 and was renewed in June 2015 for an additional ten (10) years. The accommodation was used for the benefit of vulnerable individuals living with HIV/AIDS. The lease required payments of \$1 per lease term. Upon expiration of the ten-year lease, the residence was vacated and is no longer in use by the Organization. During the term of the lease, the estimated fair market value of the contributed non-financial asset in the form of donated rent was \$66,636 and was recognized in the statement of activities and changes in net assets in accordance with ASC 2020-07.

Note 12. Commitments and Contingencies:

The Organization has received state and federal allowances, funds, and grants for specific purposes that are subject to review and audit by the granting agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that required reimbursements, if any, will not be material.

In 1997, the Organization received a \$325,000 revocable grant from the San Diego Housing Commission, which was used to purchase Michaelle house. The grant is secured by a first trust deed on the property. No interest will be accrued, and the \$325,000 principal will be forgiven at the end of the grant term as long as the Organization meets the condition of the grant over a period of 55 years. The condition is that the property is used for men and women disabled by HIV/AIDS. If the Organization does not meet the terms of the grant, it will be obligated to repay the principal plus accrued interest at 10%. Management believes the Organization will remain in compliance with the terms of the grant and, accordingly, no liability for the repayment of this grant has been included in the statement of financial position.

Fraternity House, Inc.
Notes to Financial Statements
Year Ended June 30, 2025

Note 13. Related Party Transactions:

Mike Walker, a former board member of Fraternity House who resigned in December 2024, owns and operates AAA Live Scan. During the year, Fraternity House paid AAA Live Scan \$180 for personnel clearance checks. The relationship between Fraternity House and AAA Live Scan has been in place for ten years and had full board approval.

Note 14. Date of Management's Review/Subsequent Events:

Management has evaluated subsequent events through February 11, 2026, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.



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**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
Fraternity House, Inc.
Vista, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fraternity House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fraternity House, Inc.'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 Fraternity House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Fraternity House, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
February 11, 2026



Pinnacle Accounting
& FINANCIAL SERVICES

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

To the Board of Directors of
Fraternity House, Inc.
Vista, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
February 11, 2026

Fraternity House, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

<u>Federal Grantor/Pass -Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S Department of Housing and Urban Development</u>			
Passed through San Diego County Housing and Community Development Services			
Program: Housing Opportunities for Persons with AIDS	14.241	570092	\$ 847,455
<u>U.S Department of Health and Human Services</u>			
Passed through San Diego County Public Health Services			
Program: Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program	93.686	570092	\$ 36,627
Total Expenditures of Federal Awards			\$ <u>884,082</u>

Fraternity House, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2025

Note A: Basis of Presentation

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

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

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

Note D: Sub-Recipients

Fraternity House, Inc did not have any sub-recipients of federal awards.

Fraternity House, Inc.
Schedule of Findings and Questioned Costs
June 30, 2025

I. Summary of Auditor's Results

FINANCIAL STATEMENTS

- (a) Type of report issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America: **Unmodified opinion.**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses identified: **No**
 - Significant deficiencies identified: **No**
- (c) Noncompliance material to the financial statements: **No**

FEDERAL AWARDS

- (d) Internal control over major programs:
 - Material weaknesses identified: **No**
 - Significant deficiencies identified: **No**
- (e) Type of report issued on compliance for major program: **Unmodified.**
- (f) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a): **No**
- (g) Major program:
 - Housing Opportunities for Persons with AIDS
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low-risk auditee: **No**

II. Financial Statement Findings

None identified

III. Findings and Questioned Costs-Major Federal Programs

None identified

IV. Schedule of Prior Year Findings and Questioned Costs

None identified