MARRAKECH, INC.

Consolidated Financial Statements
and Supplementary Information
with Independent Auditor's Report

June 30, 2021 and 2020

MARRAKECH, INC.

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Marrakech, Inc.:

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Marrakech, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marrakech, Inc. as of June 30, 2021 and 2020, 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.

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Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated supporting schedule of operating revenue (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022 on our consideration of Marrakech, 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 Marrakech, 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 Marrakech, Inc.'s internal control over financial reporting and compliance.

Guilmartin, DiPiro + Sokolowski LLC

Middletown, Connecticut
February 22, 2022

MARRAKECH, INC.

Consolidated Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 5,163,912	$ 3,282,196
Accounts receivable, net	2,771,819	2,832,289
Prepaid expenses	589,238	469,726
Total current assets	8,524,969	6,584,211
Property and equipment, net	9,969,397	10,314,640
Other assets:		
Investments - Board designated endowment	112,908	65,873
Other assets	36,369	44,178
Total other assets	149,277	110,051
Total assets	$ 18,643,643	$ 17,008,902
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 337,777	$ 318,245
Accrued liabilities	2,812,604	3,178,756
Due to grantors	1,773,663	1,071,784
Deferred revenue	31,591	31,591
Refundable advances	1,927,433	-
Current portion of mortgages and loans payable	433,945	568,866
Total current liabilities	7,317,013	5,169,242
Long-term liabilities:		
Mortgages payable, less current portion	3,448,725	3,690,123
Loans payable, less current portion	754,137	949,990
Derivative debt agreements	7,372	21,366
DDS cash advances	599,046	599,046
Total long-term liabilities	4,809,280	5,260,525
Total liabilities	12,126,293	10,429,767
Net assets:		
Without donor restrictions:		
Undesignated	6,361,689	6,467,711
Board designated	112,908	65,873
Total without donor restrictions	6,474,597	6,533,584
With donor restrictions:		
Restricted donations	42,753	45,551
Total with donor restrictions	42,753	45,551
Total net assets	6,517,350	6,579,135
Total liabilities and net assets	$ 18,643,643	$ 17,008,902

See accompanying notes to financial statements.

MARRAKECH, INC.

Consolidated Statements of Activities

For the years ended June 30, 2021 and 2020

	2021	2020
Changes in Net Assets Without Donor Restrictions		
Operating revenue and other support:		
Operating revenue (Schedule 1)	$ 37,134,016	$ 36,714,680
Donations and fundraising	271,652	315,889
Net assets released from restrictions	15,564	21,277
Total unrestricted revenue and other support	37,421,232	37,051,846
Operating expenses:		
Program services:		
Residential services	19,895,208	19,757,393
In home support services	2,252,789	2,397,606
Day services	5,657,214	5,605,978
Mental health services	3,712,478	3,596,482
Housing services	984,136	1,011,552
Other programs' services	998,159	967,477
Total program services	33,499,984	33,336,488
Supporting services:		
Administrative and general	3,802,537	3,698,298
Fundraising expenses	191,692	146,630
Total supporting services	3,994,229	3,844,928
Total operating expenses	37,494,213	37,181,416
Change in net assets without donor restrictions from operations	(72,981)	(129,570)
Non-operating activities:		
Change in fair value of derivative debt agreements	13,994	(9,342)
Unemployment tax refunds	-	49,267
State grants for capital projects	-	60,137
Total non-operating activities	13,994	100,062
Change in net assets without donor restrictions	(58,987)	(29,508)
Net assets without donor restrictions, beginning of year	6,533,584	6,563,092
Net assets without donor restrictions, end of year	$ 6,474,597	$ 6,533,584
Changes in Net Assets With Donor Restrictions		
Donations	$ 12,766	$ 20,714
Net assets released from donor restrictions	(15,564)	(21,277)
Change in net assets with donor restrictions	(2,798)	(563)
Net assets with donor restrictions, beginning of year	45,551	46,114
Net assets with donor restrictions, end of year	$ 42,753	$ 45,551
Total change in net assets	$ (61,785)	$ (30,071)

See accompanying notes to financial statements.

MARRAKECH, INC.

Consolidated Statement of Functional Expenses

For the year ended June 30, 2021
(with comparative totals for 2020)

	Program Services						Supporting Services			
	Residential Services	In Home Support Services	Day Services	Mental Health Services	Housing Services	Other Programs' Services	Administrative and General	Fundraising Expenses	2021 Total	2020 Total
Salaries and wages	$ 13,759,121	$ 1,704,218	$ 4,184,690	$ 2,632,707	$ 5,475	$ 291,450	$ 2,375,337	$ 85,352	$ 25,038,350	$ 24,954,069
Fringe benefits/payroll taxes	2,612,129	331,589	795,508	494,255	1,123	45,591	469,677	15,282	4,765,154	4,555,241
Total salaries and fringe benefits	16,371,250	2,035,807	4,980,198	3,126,962	6,598	337,041	2,845,014	100,634	29,803,504	29,509,310
Motor vehicle	388,803	37,984	350,996	78,428	39	1,694	134,743	124	992,811	1,154,462
Subcontract nurse/temporary help	997,267	1,841	17,052	12,874	-	-	54,603	-	1,083,637	1,169,976
Food and household supplies	438,703	3,121	6,919	172,655	121	2,673	852	2,063	627,107	641,614
Depreciation and amortization	312,079	-	152,075	13,432	275,420	201,577	83,748	-	1,038,331	931,153
Maintenance	320,052	2,093	6,456	9,802	135,728	130,727	26,464	-	631,322	427,874
Telephone and utilities	393,065	4,811	10,932	79,564	182,035	106,905	35,277	320	812,909	797,744
Property taxes	17,024	-	-	-	13,113	36,002	-	-	66,139	64,630
Interest	12,012	-	4,185	-	202,451	28,904	2,732	-	250,284	269,318
Insurance	127,106	9,795	24,081	27,391	34,705	35,211	30,414	508	289,211	274,626
Program supplies	226,262	5,656	14,146	124,833	266	42,636	10,171	45,080	469,050	547,287
Recreation	4,673	-	523	1,804	-	-	3,184	-	10,184	16,936
Dues, fees and licenses	131,983	1,096	948	1,011	95	1,653	34,181	623	171,590	165,075
Rent	111,804	-	2,748	4,752	130,610	25,788	4,818	-	280,520	242,385
Equipment	720	1,851	468	489	829	-	381	-	4,738	6,584
Professional fees	-	-	-	-	-	-	154,056	-	154,056	149,939
Fundraising	-	-	-	-	-	202	170	-	372	8,313
Office supplies	18,216	346	2,869	5,943	1,939	3,937	59,559	9,671	102,480	133,903
Payroll and data processing	15,692	7,142	3,107	36,514	-	13,178	213,976	801	290,410	261,073
Training	7,981	606	60,151	16,024	-	5,988	91,338	3,021	185,109	288,555
Miscellaneous expenses	516	140,640	19,360	-	187	24,043	16,856	28,847	230,449	120,659
Total functional expenses	$ 19,895,208	$ 2,252,789	$ 5,657,214	$ 3,712,478	$ 984,136	$ 998,159	$ 3,802,537	$ 191,692	$ 37,494,213	$ 37,181,416

See accompanying notes to financial statements.

MARRAKECH, INC.

Consolidated Statement of Functional Expenses

For the year ended June 30, 2020

	Program Services						Supporting Services		
	Residential Services	In Home Support Services	Day Services	Mental Health Services	Housing Services	Other Programs' Services	Administrative and General	Fundraising Expenses	Total
Salaries and wages	$ 13,887,320	$ 1,947,999	$ 4,023,540	$ 2,470,622	$ 13,187	$ 319,602	$ 2,265,490	$ 26,309	$ 24,954,069
Fringe benefits/payroll taxes	2,529,677	353,139	732,828	444,147	2,510	52,725	435,534	4,681	4,555,241
Total salaries and fringe benefits	16,416,997	2,301,138	4,756,368	2,914,769	15,697	372,327	2,701,024	30,990	29,509,310
Motor vehicle	417,710	52,807	405,585	87,817	27,665	14,570	148,256	52	1,154,462
Subcontract nurse/temporary help	994,885	2,455	24,168	37,016	-	887	109,655	910	1,169,976
Food and household supplies	419,396	2,368	3,838	210,991	508	1,277	3,190	46	641,614
Depreciation and amortization	221,121	-	139,271	1,032	274,030	192,427	103,272	-	931,153
Maintenance	241,940	2,579	2,207	5,072	107,255	48,447	20,374	-	427,874
Telephone and utilities	388,205	5,419	10,494	82,295	180,559	99,055	31,335	382	797,744
Property taxes	16,705	-	-	-	13,235	34,640	50	-	64,630
Interest	11,012	85	2,727	631	215,250	38,545	1,068	-	269,318
Insurance	114,432	8,641	20,917	25,557	37,583	37,779	29,647	70	274,626
Program supplies	295,928	15,745	36,991	96,515	1,432	61,500	13,104	26,072	547,287
Recreation	7,172	54	3,505	5,872	-	333	-	-	16,936
Dues, fees and licenses	122,222	201	8,238	778	428	2,113	28,444	2,651	165,075
Rent	20,540	-	2,731	64,901	134,130	15,248	4,835	-	242,385
Equipment	1,390	1,130	97	1,595	-	491	1,881	-	6,584
Professional fees	-	-	-	-	-	636	149,303	-	149,939
Fundraising	50	-	-	-	-	-	152	8,111	8,313
Office supplies	24,049	1,078	4,732	16,028	2,287	9,914	70,417	5,398	133,903
Payroll and data processing	7,322	3,001	1,880	33,875	-	12,908	197,802	4,285	261,073
Training	19,293	905	182,229	11,533	-	4,108	70,221	266	288,555
Miscellaneous expenses	17,024	-	-	205	1,493	20,272	14,268	67,397	120,659
Total functional expenses	$ 19,757,393	$ 2,397,606	$ 5,605,978	$ 3,596,482	$ 1,011,552	$ 967,477	$ 3,698,298	$ 146,630	$ 37,181,416

See accompanying notes to financial statements.

MARRAKECH, INC.

Consolidated Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ (61,785)	$ (30,071)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,038,331	931,153
Unrealized (gain) on investments	(17,895)	(978)
Loss on disposal of assets	-	8,946
Decrease (increase) in accounts receivable	60,470	(337,713)
(Increase) decrease in due from others	(108)	1,252
(Increase) decrease in prepaid expenses	(119,512)	176,836
Decrease in other assets	7,809	4,063
Increase (decrease) in accounts payable	19,532	(74,045)
(Decrease) increase in accrued liabilities	(366,043)	855,278
Increase (decrease) in due to grantors	701,879	(6,454)
(Decrease) in deferred revenue	-	(58,160)
Increase in refundable advances	1,927,433	-
(Increase) decrease in fair value of derivative debt agreements	(13,994)	9,342
Total adjustments	3,237,902	1,509,520
Net cash provided by operating activities	3,176,117	1,479,449
Cash flows from investing activities:		
Purchase of investments	(29,140)	(1,346)
Purchase of property and equipment	(693,089)	(859,157)
Net cash (used) by investing activities	(722,229)	(860,503)
Cash flows from financing activities:		
Proceeds of long-term debt	-	486,952
Principal payments on loans	(572,172)	(512,132)
Cash proceeds from disposal of property	-	9,804
Net cash (used) by financing activities	(572,172)	(15,376)
Net increase in cash	1,881,716	603,570
Cash, beginning of year	3,282,196	2,678,626
Cash, end of year	$ 5,163,912	$ 3,282,196
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	$ 250,284	$ 269,318

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

These consolidated financial statements include Marrakech, Inc. and its sister corporations, Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc. (the Organization).

Marrakech, Inc. operates programs for persons with disabilities in the State of Connecticut. Additionally, it provides management services for Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc.

Marrakech Housing Options, Inc. and Marrakech Residential Services, Inc. operate private group homes, community residential supported living arrangements and day programs for persons with developmental disabilities in the State of Connecticut. The operating revenue for the Agencies comes primarily from the State of Connecticut Departments of Developmental Services (DDS) and Social Services (DSS) and the Social Security Administration (SSA).

Marrakech Day Services, Inc. operates vocational day programs which are licensed by the State of Connecticut for disadvantaged persons and persons with mental illnesses. It is principally funded through cost reimbursements from the State of Connecticut Department of Mental Health and Addiction Services (DMHAS).

The accounting policies of Marrakech, Inc. and its sister corporations conform to accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Marrakech, Inc. and its sister corporations, except for Marrakech Residential Services, Inc., fiscal years end on June 30th. Marrakech Residential Services, Inc.'s fiscal year ends on September 30th.

Summary of significant accounting policies:

Principles of consolidation

The consolidated financial statements of Marrakech, Inc. and its sister corporations as described above are collectively referred to as the Organization because Marrakech, Inc. has both control and an economic interest in its sister corporations. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, the consolidated entities are hereinafter referred to as the Organization.

Basis of accounting and presentation

The accounts of the Organization are maintained, and the consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

<u>Net assets without donor restrictions</u> - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. <u>Board-Designated net assets</u> - The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

<u>Net assets with donor restrictions</u> - Net assets subject to donor (or certain 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.

Recent accounting pronouncements adopted

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820).* This accounting standard changes the disclosure requirements for fair value measurement. The Organization adopted the provisions of ASU 2018-13 on July 1, 2020. There is no effect on net assets, or significant disclosures in connection with the implementation of ASU 2018-13.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* including amendments. This update establishes a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization implemented this ASU using a modified retrospective method of application as of July 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue and expense recognition methodology and timing of the transaction. This ASU was adopted on July 1, 2019.

The adoption of ASU 2018-13, 2014-09 and 2018-08 standards did not have a material impact on the Organization's financial position or results of operations for any periods presented and a cumulative adjustment was not recorded to the Organization's beginning net asset balance.

Use of estimates

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

Operating and non-operating activities

The consolidated statements of activities presents the changes in net assets of the Organization from operating activities and non-operating activities. Operating revenues and expenses relate primarily to the Organization's programs and services under various State of Connecticut grant contracts and other fee for service arrangements. The portion of investment return appropriated on long-term investments held for endowments and similar purposes under the Organization's total return spending policy is considered operating revenue.

Non-operating activities consist primarily of (a) changes in the fair value of derivative debt agreements, (b) unemployment tax refunds, and (c) state grants for capital expenditures.

Income taxes

The Organization has received exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Management has reviewed the Organization's reporting and believe that no tax positions have been taken that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

Cash and cash equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. The Organization had no cash equivalents as of June 30, 2021 and 2020.

Investment held by Community Foundation

The Organization maintains its funds in an investment account administered by The Community Foundation of Greater New Haven, Inc. (the Foundation). The agreement provides that the Organization may receive distributions from the account on a quarterly, semi-annual or annual schedule at a percentage or set dollar amount of the fair market value of the fund as of the prior fiscal year end date for the coming fiscal year. Alternatively, the Organization may elect to receive regular distributions in accordance with the Foundation's Spending Rule Policy. The Organization may request that additional funds be distributed subject to up to 60 days prior written notice to the Foundation, depending on the amount of additional funds requested. As of June 30, 2021, the Organization has elected to not receive any distributions for the fiscal years ended June 30, 2021 and 2020.

The funds are carried at fair value as discussed in Note 5. 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. Investment income (loss) is reported net of expenses, which totaled $1,378 and $694 for the years ended June 30, 2021 and 2020, respectively. Changes to the carrying amount of the endowment funds are recognized as increases or decreases in net assets without donor restrictions. The Organization has delegated to the Foundation full authority to determine the asset allocation and to specify the investment managers of the Organization's investment.

Accounts receivable

The Organization has accounts receivable primarily related to grants and third party reimbursements. Based on historical experience, grants are considered fully collectible. Management performs an assessment of collectability related to other receivables and will write off receivables from individuals and other sources after all attempts at collection are exhausted. When appropriate, management maintains an allowance for doubtful accounts, which is based on a review of significant delinquent balances, historical experience, an assessment of economic conditions and a review of subsequent collections. The allowance for doubtful accounts at June 30, 2021 and 2020 was $354,000 and $338,000, respectively.

Property and equipment

The Organization follows the practice of capitalizing all property and equipment with a cost exceeding $2,500 or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred.

Realization of long-lived assets

The Organization evaluates long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of June 30, 2021 and 2020.

Refundable advances

The Organization presents refundable advances when grant advances and other revenue exceed the eligible costs incurred. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors.

Derivative debt agreements and interest rate risk management

Marrakech, Inc. has entered into variable rate debt agreements (interest rate swap loans) related to mortgages owed on two of its properties. These arrangements enabled Marrakech, Inc. to fix the currently low interest rates on these obligations for ten years. Under the interest rate swap contracts, Marrakech, Inc. agrees to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable rate of interest times a notional amount.

No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of the termination and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the term of the contract. Marrakech, Inc. accounts for these swaps as cash flow hedges. Marrakech, Inc. does not issue or hold derivative contracts for speculative purposes.

Revenue and revenue recognition

Contributions

The Organization receives contributions to support operating activities, endowments and capital projects. These contributions can be from individuals, foundations, corporations or trusts. The Organization records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts with a measurable performance or other barrier and right of return are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

The Organization reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets, as support without donor restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets are reported as net assets with donor restrictions if such donor stipulations are not fully met in the year the award is received. When a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Organization's mission and fundraising campaign.

Government grant and contracts

The Organization receives grant and contract funding from various federal and state governments, which may be considered exchange transactions or contributions. The funding received is to provide a variety of program services to the public based on certain performance requirements included in the agreement and/or the incurrence of allowable qualifying expenses and other requirements. Grants and contracts considered to be contributions are representative of nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization recognizes grants and contracts considered to be exchange transactions once the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. The revenue recognized would be reported at the amount reflecting the consideration the Organization expects to receive in exchange for the services provided.

Government grant and contracts, continued

Conditional government grants and contracts not recognized as of June 30, 2021 totaled $1,686,280, which includes the Organization's Paycheck Protection Program (PPP) loan (see Note 9) of $1,611,082 and several Community Development Block Grants (CDBG) totaling $75,198 awarded for Covid expenses and capital development projects which will be funded to the Organization as the awards are expended for their intended purposes. The Organization's contract with DDS ended on June 30, 2021 and a new contract was executed in June 2021. The new contract is effective from July 1, 2021 through June 30, 2024 and has a maximum contract amount of $80,819,980. The Organization's annual contracts with the State of Connecticut's Departments of Mental Health and Addiction Services (DMHAS) and Children and Families (DCF) were also renewed for the fiscal year ended June 30, 2022 for $4,476,319 and $625,326, respectively.

The Organization received Paycheck Protection Program (PPP) funds from the SBA in May 2021 that is being accounted for as a contribution under ASC 958-605 and is shown under refundable advances within the consolidated statements of financial position.

Special events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to the donors when the special event takes place. The Organization recognizes the contribution element of special events revenue immediately, unless there is a right of return if the special event does not take place.

Individual contracts/Private pay services/LEA funded services

The Organization recognizes revenue from individual contracts, private pay services and local education agency (LEA) funded services.

Individual contracts comprise of a contract between the Organization and an outside company for services to be performed by the Organization's program participants. This was put into place as an alternative to an outside company directly hiring the program participants and is most often utilized for group employment situations (i.e. work/cleaning crews).

Private pay services comprise of a contract between the Organization and a customer looking to set up services traditionally funded by one of the Organization's state funded agencies (i.e. DDS, DMHAS). Most often, the customer does not qualify for a state funded program and is therefore privately paying for the service.

LEA funded services include residential and employment focused programming for students who are nearing their transition/graduation. These individuals have been identified by their school district as being eligible for services outside of the school setting. This may range from after-school support services to 24/7 residential placement.

In all situations, a contract for the services is required prior to the service being rendered, unless both parties agree to an extension of a currently agreed upon contract. The contract is approved by both parties, most often via electronic signature using DocuSign. The contract outlines the work to be performed and/or services to be provided by the Organization. The contract also includes the frequency of services and the agreed upon rate. Lastly, the contract outlines that both parties have the right to cancel the contract at any time.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Cost settlement

The Organization is subject to cost settlement procedures prescribed by various agencies of the State of Connecticut. Management's estimates of all cost settlements due are included as current liabilities on the consolidated statements of financial position in Due to grantors.

Endowment and spending policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a reasonably predictable stream of funding for programs supported by their endowment while seeking to maintain the purchasing power of the board designated endowment assets. Board designated endowment assets include an annual allocation of 5% of the Organization's net fundraising income subject to the discretion of Marrakech's Boards of Directors. Under this policy, the board designated endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

To satisfy its long-term rate of return objectives, the Organization assumes a conservative level of investment risk and holds their investments in a professionally managed investment account consisting of global equity and bond funds and private assets. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Under the Boards of Directors' discretion, management may access these funds at any time for the Organization's use and the endowment is completely revocable.

Advertising expense

The Organization expenses advertising costs as incurred. Advertising expenses totaled $42,272 and $48,996 for the years ended June 30, 2021 and 2020, respectively.

Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statements of activities and by nature and function in the consolidated statements of functional expenses. The Organization charges direct expenses incurred for a specific function directly to the program or supporting service category within each of the Organizations. These costs are those that can be specifically identified as being incurred for the activities of that program or supporting service. Other costs incurred that benefit more than one program or supporting service are allocated. Expenses allocated based on square footage include occupancy charges, building operations, technology, depreciation and amortization. Salaries, not directly charged, are allocated on the basis of estimates of time and effort. Employee benefits are allocated based on the program percentage of salary. Administrative and general expenses are allocated based on the percentage of individual program costs to the total with consideration given to the relative benefit derived from certain categories of administrative expense by various program groups. The Organization reevaluates its allocation methods each year.

Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

NOTE 2 – CONTRACTS WITH CUSTOMERS

The opening and closing balances of the Organization's contract assets pertaining to its contracts with the customers are as follows:

Accounts receivable from contracts with individuals, private pay services and local education agencies	
	2020
Opening July 1, 2019	$106,111
Closing June 30, 2020	30,500
(Decrease)	$ (75,611)
	2021
Opening July 1, 2020	$ 30,500
Closing June 30, 2021	39,333
Increase	$ 8,833

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization manages its liquid resources by focusing on timely billing and collection of all receivables due. The Organization prepares budgets and monitors expenses. As part of their risk management program, the Organization maintains certain credit line facilities to assist in meeting short term cash needs related to capital projects and programs funded on a cost reimbursement basis or by fixed term financing.

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

	2021	2020
Cash	$5,163,912	$3,282,196
Accounts receivable, net	2,771,819	2,832,289
	$7,935,731	$6,114,485

The board designated investments in the amounts of $112,908 and $65,873 for June 30, 2021 and 2020 are assets set aside for future needs and available only upon Board approval.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with high-credit quality financial institutions. At times, such amounts may exceed federal depository insurance limits. To date, the Organization has not experienced losses in any of these accounts. At June 30, 2021 the cash balance exceeded the federally insured limit by $4,080,520.

A substantial portion of the Organization's revenue is derived from government grants and contracts. Since the contracts are evidenced by signed contracts with government and other agencies, management believes there is nominal credit risk associated with any outstanding grants receivable.

Concentrations, continued

The following table shows the Organization's highest concentrations of revenues and receivables from these grants and contracts for the years ended June 30, 2021 and 2020:

2021	Percentage of Total	
	Revenue	Receivable
State of Connecticut Department of Developmental Services	68%	66%
State of Connecticut Department of Social Services	13%	11%
State of Connecticut Department of Mental Health and Addiction Services	10%	0%
	91%	77%

2020	Percentage of Total	
	Revenue	Receivable
State of Connecticut Department of Developmental Services	70%	72%
State of Connecticut Department of Social Services	14%	12%
State of Connecticut Department of Mental Health and Addiction Services	10%	0%
	94%	84%

NOTE 5 – FAIR VALUE MEASUREMENT

The Organization reports certain assets and liabilities at fair value in the consolidated 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 in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Fair value measurement, continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Pooled funds: Pooled funds consist of a portfolio of various asset types and funds which are all individually valued based on quoted market prices and other observable inputs. The total fair value of the Organization's pooled fund is provided by The Community Foundation for Greater New Haven (the investment's issuer/manager) and is considered by the Organization to be a level 2 investment.

The Organization's investment held by the Community Foundation for Greater New Haven, Inc. is considered to be a level 2 investment.

Derivative debt agreements: The Organization maintains variable rate debt agreements (interest rate swap agreements) as cash flow hedges under its mortgage agreements for two of its properties (see Note 1). The fair value of these agreements is provided by Citizens Bank (the mortgagor) and is considered by the Organization to be valued under level 2.

There have been no changes in the methodologies used at June 30, 2021 or 2020.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2021.

		Fair Value Measurements Using		
Description	Total	Level 1	Level 2	Level 3
Pooled funds	$112,908	$ -	$112,908	$ -
Total assets at fair value	$112,908	$ -	$112,908	$ -

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2020.

		Fair Value Measurements Using		
Description	Total	Level 1	Level 2	Level 3
Pooled funds	$65,873	$ -	$65,873	$ -
Total assets at fair value	$65,873	$ -	$65,873	$ -

Fair value measurement, continued

The following table sets forth by level, within the fair value hierarchy, the Organization's liabilities at fair value at June 30, 2021.

		Fair Value Measurements Using		
Description	Total	Level 1	Level 2	Level 3
Derivative debt agreements	$(7,372)	$ -	$(7,372)	$ -
Total assets at fair value	$(7,372)	$ -	$(7,372)	$ -

The following table sets forth by level, within the fair value hierarchy, the Organization's liabilities at fair value at June 30, 2020.

		Fair Value Measurements Using		
Description	Total	Level 1	Level 2	Level 3
Derivative debt agreements	$(21,366)	$ -	$(21,366)	$ -
Total assets at fair value	$(21,366)	$ -	$(21,366)	$ -

There were no transfers of investments nor derivative debt agreements between levels during the years ended June 30, 2021 and 2020.

NOTE 6 – ACCOUNTS RECEIVABLE/DDS BRIDGE FUNDING ADVANCES

Marrakech Housing Options, Inc. retains bridge funding advances from DDS to fund the cash flow requirements of the Organization's DDS programs in the amount of $1,996,336 as of June 30, 2021 and $1,995,110 as of June 30, 2020.

As shown below, these advances are offset against DDS accounts receivable on the accompanying consolidated statements of financial position.

	2021	2020	2019
DDS accounts receivable	$ 3,828,741	$ 4,035,253	$ 3,440,231
Less: DDS advance	(1,996,336)	(1,995,110)	(1,995,110)
Net DDS receivable	1,832,405	2,040,143	1,445,121
DSS room and board	307,268	332,734	304,684
Other receivables	986,146	797,412	1,060,023
Less: allowance for doubtful accounts	(354,000)	(338,000)	(314,000)
Accounts receivable, net	$ 2,771,819	$ 2,832,289	$ 2,495,828

The Organization had received early payments from DDS prior to the fiscal year ended June 30, 2019 towards their grant contract. This accounts for the majority of the reduction in the Organization's approximate usual year-end receivable balances as shown in the Organization's fiscal years ended June 30, 2021 and 2020.

NOTE 7 – PROPERTY AND EQUIPMENT

Components of property and equipment as of June 30 are as follows:

	2021	2020
Furniture and equipment	$ 1,670,613	$ 1,664,730
Transportation equipment	4,782,379	4,356,617
Buildings, land and improvements	16,723,352	16,580,726
Construction-in-process	237,877	128,239
	23,414,221	22,730,312
Less: accumulated depreciation	(13,444,824)	(12,415,672)
Total	$ 9,969,397	$ 10,314,640

Depreciation and amortization expense was $1,038,331 and $931,153 for the years ended June 30, 2021 and 2020, respectively.

Construction-in-process at June 30, 2021 included costs incurred for renovations in process at certain properties throughout the Organization.

NOTE 8 – LINES OF CREDIT AND CREDIT FACILITIES

Citizens Bank Line of Credit

Marrakech, Inc. has a revolving line of credit with Citizens Bank which expires on March 31, 2022. Advances on the line of credit are payable on demand and bear interest at a variable rate under the note agreement. The maximum amount which could be withdrawn under the agreement is $2,500,000. The interest rate was 3.75% as of June 30, 2021 and 2020 and the balance due was $0 in both years. The obligation has been guaranteed by each Organization and collateral for balances under the line of credit are all business assets of Marrakech, Inc.

Newtown Savings Bank Revolving Credit Facility

On November 15, 2019, Marrakech, Inc. entered into a revolving credit facility (the agreement) with Newtown Savings Bank to provide term loans to the Organization for purchases of new and used vehicles and equipment on an as needed basis. The guarantors under the agreement are Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc. All term loans provided under the agreement are at the sole discretion of the bank and are made up to $1,000,000 on a cumulative basis, at which time the agreement will be subject to renewal. Loans have terms of up to five years with interest rates at the Federal Home Loan Bank of Boston (FHLBB) Classic Advance rate plus 2.25%, which is set five business days prior to the specified loan's closing.

As of June 30, 2021, the cumulative amount of term loans received under the agreement totaled $486,952. These loans are included at their amortized balances within these footnotes in Table 10.1 - Consolidated Schedule of Debt Obligations.

NOTE 9 – REFUNDABLE ADVANCES

Paycheck Protection Program

On May 4, 2021, the Organization received a Paycheck Protection Program (PPP) loan of $1,611,082 granted by the U.S. Small Business Administration (the SBA) pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). While the Paycheck Protection Program funds are known as a loan, the Organization treated them as a cost-reimbursement grant from the government for accounting purposes. Management considered the PPP loan to be a conditional contribution, with a right-of-return in the form of an obligation to be repaid if barriers to

Paycheck Protection Program, continued

entitlement were not met. These barriers included maintaining payroll levels, and incurring qualifying expenses used to pay for payroll costs, including salaries, commissions and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt, in addition to the review of the Organization's application for forgiveness by the lender and the SBA. The PPP loan was subject to be fully forgiven if (1) proceeds were used to pay eligible payroll costs or other eligible costs and (2) full-time employee headcount and salaries were either maintained during the 24-week period following disbursement or restored by the end of this time period. If not maintained or restored, any forgiveness of the PPP loan would have been reduced in accordance with the regulations that were issued by the SBA. The interest rate on the PPP loan was at a fixed rate of 1% per annum and to the extent that amounts were owed under the PPP loan, or a portion of them, were not forgiven, the Organization would have been required to make principal and interest payments monthly beginning in August 2022. The barriers were determined to not be met during the year ended June 30, 2021 and as such the PPP loan was recorded as a refundable advance as of June 30, 2021.

See also Note 20 for a discussion of the forgiveness of the PPP loan effective January 20, 2022.

Coronavirus relief funds and Provider relief funds

The Organization received Coronavirus relief funds (CRF funds) under the CARES Act during the fiscal year ended June 30, 2021 from four grantors totaling $707,129, which originated from the United States Department of the Treasury and the United States Department of Housing and Urban Development. These amounts were fully spent during the fiscal year ended June 30, 2021 for eligible coronavirus related expenditures and additional payroll costs due to the pandemic and are included within Federal and State Covid grant funding on the consolidated supporting schedule of operating revenue. During the fiscal year ended June 30, 2020 the Organization received CRF funds of $1,192,201 which were fully spent for pandemic related costs and are also included within Federal and State Covid grant funding on the consolidated supporting schedule of revenue in the fiscal year ended June 30, 2020. These funds originated from the United States Department of the Treasury.

The Organization also received conditional contributions during the fiscal year ended June 30, 2021 from the United States Department of Health and Human Services Provider Relief Fund amounting to $865,825 of which $549,474 had been spent on additional payroll and payroll costs as a result of the pandemic. The balance of these funds of $316,351 along with the PPP loan discussed above of $1,611,082 are included on the consolidated statement of financial position as refundable advances of $1,927,433.

NOTE 10 – LONG-TERM DEBT

Interest rate swap agreements

The financing for two mortgage loans with a local bank has been financed as "interest rate swap loans" as per the terms of a master agreement of the International Swap Dealers Association, Inc. These loans include credit-risk-related contingent features whereby the Organization could incur additional liabilities should the agreements be terminated before maturity by Marrakech, Inc.

As of the fiscal years ended June 30, 2021 and 2020, the agreements were in a net liability position totaling $(7,372) and $(21,366), respectively, which is shown on the Organization's consolidated statements of financial position under long-term liabilities, as derivative debt agreements. The Organization has recorded a net gain related to the agreements' changes in fair value of $13,994 in the fiscal year ended June 30, 2021 and a net loss of $(9,342) for the fiscal year ended June 30, 2020, as shown on the consolidated statements of activities under change in fair value of derivative debt agreements. Please see Note 1 under Derivative debt agreements and interest rate risk management for additional information.

Other mortgages and loans

The Organization has additional mortgages and notes payable as of June 30, 2021 and 2020. Please see the consolidated schedule of debt obligations (Table 10.1) and their respective terms at the end of these footnotes.

NOTE 11 – DDS CASH ADVANCES

When a facility commences operations, the Organization (Marrakech Housing Options, Inc.) may receive an operational advance equal to the service revenue for one month based on full capacity. These operational advances are applied against the final reimbursement when a facility ceases their agency relationship with DDS. Total operational advances were $599,046 as of the fiscal years ended June 30, 2021 and 2020.

NOTE 12 – OPERATING LEASES

Marrakech, Inc. maintained a lease agreement with a related party (see Note 17) to rent property in Milford, Connecticut used for a group home which is licensed by the State of Connecticut Department of Children and Families (DCF) for students enrolled in an academic program sponsored by the lessor. Annual base rent was $1 plus an annual student rent of $7,000 per year per student and was due and payable in monthly installments of $583 per student for each month that a student resided at the premises. Marrakech, Inc. was reimbursed for the annual student rents under the program through a combination of funding from the towns' Board's of Education which the respective students were attending school and through the Connecticut Department of Disability Services, respite services funding. The lease agreement expires on June 30, 2022.

Marrakech, Inc. has an informal lease agreement with an unrelated party to rent property in Milford and West Haven, Connecticut on a month-to-month basis. Monthly rent is $2,564 and $2,832, respectively. The properties under the lease are used to operate two intermediate care facilities.

Marrakech, Inc. has operating lease agreements with the State of Connecticut to rent four homes which are used to operate CLA programs under Marrakech Housing Options, Inc.'s Purchase of Service (POS) contract with DDS for $1 per year for each home. The leases are for ten year terms of which three leases expire on July 1, 2028 and one lease expires on January 2, 2030. The lease agreements will immediately terminate upon the effective date of any termination of the POS contract.

Marrakech, Inc. has an operating lease agreement with an unrelated party to rent property in Waterbury, Connecticut used for job training programs through December 31, 2022. Monthly rent was $3,500 as of June 30, 2021. The rent increases by $100 annually on January 1st. The landlord for this lease had agreed to reduce the rent to $2,900 per month during the fiscal years ended June 30, 2020 and 2021and through July 31, 2021 due to the Coronavirus pandemic.

Marrakech, Inc. has an operating lease agreement with an unrelated party to rent property in New Milford, Connecticut used for Day programs. Monthly rent was $6,732 as of June 30, 2021 and remains constant through November 2022 and thereafter increases by 1.5% per year through the lease's scheduled expiration at November 30, 2025.

Marrakech, Inc. has an operating lease agreement with an unrelated party to rent property in Bridgeport, Connecticut used for its Bridgeport Academy. Monthly rent was $1,900 as of June 30, 2021. The agreement began February 1, 2020 for a period of five years through January 31, 2025. The rent increases by 5% in the fourth and fifth years of the lease through expiration.

Marrakech, Inc. has several other informal lease agreements with unrelated parties to rent houses and apartments for their Young Adult Services Programs through the State of Connecticut Department of Mental Health and Addiction Services (DMHAS), Community Living Arrangement and Shared Living programs through the State of Connecticut Department of Developmental Services (DDS) and to provide other services. Rents under these programs are substantially reimbursed by either the state agencies or by Marrakech's clients and, as a result, there is minimal corresponding rent expense in the consolidated financial statements.

Rent expense for the years ended June 30, 2021 and 2020 was $224,166 and $224,643, respectively.

Operating leases, continued

At June 30, minimum lease payments due under operating leases for facilities for the next five years ended June 30 are as follows:

2022	$146,185
2023	126,366
2024	107,152
2025	98,617
2026	35,199
Total	$513,519

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are restricted for the following purpose or period.

	2021	2020
Donor-restricted:		
Donations to be used for emergency unfunded and/or underfunded program needs	$25,888	$24,837
Donation for Covid Personal Protective Equipment	-	11,000
Robbies Cause fund for the Organization's community residential support program to be used for supplies which are not funded under the program's purchase of service contract with the State of Connecticut	5,000	-
Donation to be used for energy efficient expenditures	9,714	9,714
Donation for furniture for home in CLA program	2,151	-
Total net assets with donor restrictions	$42,753	$45,551

NOTE 14 – BOARD DESIGNATED NET ASSETS

The Organization's Boards of Directors have designated from net assets without donor restrictions for the following purpose as of June 30.

	2021	2020
Endowment	$112,908	$65,873

NOTE 15 – ENDOWMENT

The Organization's endowment may include both donor-restricted endowment funds and funds designated by the Boards of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Boards of Directors have interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations.

Endowment, continued

As a result of this interpretation, the Organization classifies as designated net assets with and without donor restrictions: (a) all gifts donated to the endowment, (b) any contributions made to the endowment by the Organization, and (c) all realized and unrealized gains and losses net of expenses. The Board of Directors may appropriate amounts for expenditure in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation (depreciation) of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Board designated endowment net asset composition

The following table presents the composition of the Organization's net asset class as of June 30, 2021 and 2020.

June 30, 2021	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$112,908	$ -	$112,908
Total funds	$112,908	$ -	$112,908

June 30, 2020	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$65,873	$ -	$65,873
Total funds	$65,873	$ -	$65,873

Changes in board designated endowment net assets

The following tables represent the changes in the Organization's board designated endowment net assets for the years ended June 30, 2021 and 2020:

Year ended June 30, 2021	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 65,873	$ -	$ 65,873
Board-designated additions	25,253	-	25,253
Net realized and unrealized appreciation of investments	21,782	-	21,782
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	$112,908	$ -	$112,908

Changes in board designated endowment net assets, continued

Year ended June 30, 2020	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$63,549	$ -	$63,549
Board-designated additions	-	-	-
Net realized and unrealized appreciation of investments	2,324	-	2,324
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	$65,873	$ -	$65,873

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Organization to retain as a fund of perpetual duration. As there were no donor-restricted endowment funds, there were no deficiencies as of June 30, 2021 and 2020.

NOTE 16 – RETIREMENT PLAN

The Organization sponsors a 401(k) profit sharing plan covering all eligible employees. All employees who have attained 21 years of age and completed twelve months of service are eligible to participate in the plan. Eligible employees may contribute up to the maximum amounts allowed under the plan document and current Internal Revenue Service regulations.

Annually, the Board of Directors determines the contribution, if any, to the plan. There were no contributions authorized by the Board of Directors for the years ended June 30, 2021 and 2020.

NOTE 17 – RELATED PARTY TRANSACTION

A member of the Organization's Board of Directors, who is also the CEO and President, is a member of the Board of Directors of another nonprofit entity and as such is a related party to Marrakech. Marrakech leases a home which is owned by the related party, for an educational and housing program. Marrakech also pays the related party Special Education and Behavioral Services fees (consulting fees) as part of its program for the residents of the home. Marrakech paid rent and consulting fees to the related party of $18,528 and $19,698 during the fiscal year ended June 30, 2021, respectively and $20,849 and $22,415 during the fiscal year ended June 30, 2020, respectively.

NOTE 18 – CONTINGENCIES

Litigation

The Organization is subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the Organization's financial position or cash flows.

Grant funding for acquisition of properties

Certain Marrakech agencies have been awarded grant funding for acquisition of various properties, building improvements and vehicles over several years. These grant awards stipulate that if the Organization were to discontinue usage of the property for its specified grant purpose, the grant funds would be repayable, either in whole or a ratable portion (depending on years of usage), back to the grantor.

Grant funding for acquisition of properties, continued

The State of Connecticut has liens on certain properties for the amounts of their respective grants which will terminate on various dates in accordance with the useful lives of the funded assets. The properties acquired and/or renovated by these state funds continue to be used for their designated purposes as of June 30, 2021.

NOTE 19 – RISKS AND UNCERTAINTIES

The outbreak of the novel Coronavirus has adversely impacted global commercial activity and contributed to volatility in employment, inflation and the financial markets. Depending on the severity and length of the outbreak, the novel Coronavirus could present material uncertainty and risk with respect to this entity and its operations and financial results.

NOTE 20 – SUBSEQUENT EVENTS

Evaluation of subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through February 22, 2022, which is the date the consolidated financial statements were available to be issued.

Forgiveness of PPP loan

The Organization's Paycheck Protection Program loan (see Notes 1 and 9) of $1,611,082 has been forgiven effective January 20, 2022.

Payoff of mortgages

The Organization's two mortgages which had been financed under derivative debt agreements (see Notes 1 and 10) matured on December 22, 2021 and have been paid in full. As these loans were originally financed under a ten year payment period in which the payments were based on twenty five year amortization schedules, balloon payments totaling $559,844 were due and paid. Management intends to refinance these properties in the near future.

Since these underlying loans were held to their maturities, there were no additional amounts due under their respective derivative debt agreements.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Table 10.1 - Consolidated Schedule of Debt Obligations

Lender/Collateral	Interest Rate	Monthly Payment	Maturity Date	2021	2020
Mortgages payable					
CCO Mortgage Corporation 60 Plainfield Avenue, New Haven, Connecticut	8.25%	$ 270	07/01/30	$ 20,445	$ 21,937
CCO Mortgage Corporation 615-617 Whalley Avenue, New Haven, Connecticut	8.25%	338	08/01/30	25,878	27,717
CCO Mortgage Corporation 106-108 Hobart Street, New Haven, Connecticut	6.50%	484	09/01/31	43,087	45,985
CCO Mortgage Corporation 158R Meetinghouse Hill Road, Durham, Connecticut	5.50%	1,416	03/01/36	170,719	178,094
CCO Mortgage Corporation 27-29 Robbins Street, Waterbury, Connecticut	5.63%	1,151	05/01/36	138,771	144,602
CCO Mortgage Corporation 85 Talmadge Hill Road, Prospect, Connecticut	5.88%	2,395	08/01/36	287,105	298,610
CCO Mortgage Corporation 88-90 Sherman Avenue, New Haven, Connecticut	5.63%	1,891	11/01/36	232,576	241,896
CCO Mortgage Corporation 25 Kreger Drive, Wolcott, Connecticut	5.63%	1,917	06/01/37	241,549	250,684
CCO Mortgage Corporation 32-34 Plant Street, New Haven, Connecticut	4.13%	894	10/01/40	142,387	147,137
Citizens Bank * 514-526 Whalley Avenue, New Haven, Connecticut	5.96%	2,626	05/18/21	-	25,302
Citizens Bank * 60 Knollwood Drive, New Haven, Connecticut	4.86%	1,099	12/22/21	147,901	154,275
Citizens Bank * 50 Oak Tree Avenue, Waterbury, Connecticut	4.86%	4,215	12/22/21	424,943	455,387
Connecticut Department of Developmental Services 25 Kreger Drive, Wolcott, Connecticut	6.00%	1,441	07/01/38	184,004	190,057
Connecticut Department of Developmental Services 85 Talmadge Hill Road, Prospect, Connecticut	6.00%	177	07/01/24	5,811	7,527
Connecticut Housing Finance Authority 21 Victor Hill Road, Branford, Connecticut	7.34%	2,017	09/01/26	105,196	121,046
Connecticut Housing Finance Authority 33 Lake Street, West Haven, Connecticut	6.93%	2,343	07/16/27	140,722	158,403
Connecticut Housing Finance Authority 92 Hurd Road, Trumbull, Connecticut	6.63%	1,734	10/01/30	144,555	155,393
Connecticut Housing Finance Authority 92 View Terrace, East Haven, Connecticut	6.63%	1,740	10/01/30	145,070	155,947
Connecticut Housing Finance Authority 2 Anton Circle, Bridgeport, Connecticut	5.75%	2,425	01/01/33	245,643	260,159
Connecticut Housing Finance Authority 29 Briarwood Terrace, Middlebury, Connecticut	3.00%	1,939	01/01/47	415,212	425,848
Connecticut Housing Finance Authority 102 Harwinton Avenue, Plymouth, Connecticut	3.00%	1,782	01/01/47	381,652	391,429
Wells Fargo Bank (f/k/a Wachovia Bank) 450 Island Lane, West Haven, Connecticut	7.15%	10,957	10/27/21	43,292	166,720
Total mortgages payable				3,686,518	4,024,155
Less: current portion				(237,793)	(334,032)
Total mortgages payable, net of current portion				$ 3,448,725	$ 3,690,123

* Mortgage is financed under an interest rate swap agreement. See Note 1 under Derivative debt agreements and interest rate risk management and Note 10 under Interest rate swap agreements.

Table 10.1 - Consolidated Schedule of Debt Obligations, Continued

Lender/Collateral	Interest Rate	Monthly Payment	Maturity Date	2021	2020
Loans payable					
Key Bank Corporate assets	5.71%	$ 2,910	04/15/39	$ 387,758	$ 399,845
Key Bank Corporate assets	4.00%	9,208	07/01/21	-	37,857
Connecticut Department of Developmental Services Unsecured	6.00%	272	04/01/26	13,236	15,622
Connecticut Department of Developmental Services Unsecured	6.00%	91	04/01/26	4,437	5,237
Connecticut Department of Developmental Services Unsecured	6.00%	112	04/01/26	5,465	6,450
Connecticut Department of Developmental Services Unsecured	6.00%	304	04/01/21	-	2,374
Connecticut Department of Developmental Services Unsecured	6.00%	148	04/01/31	13,031	13,997
Connecticut Department of Developmental Services Unsecured	6.00%	517	04/01/21	-	4,047
Connecticut Department of Developmental Services Unsecured	6.00%	120	04/01/26	5,853	6,908
Connecticut Department of Developmental Services Unsecured	6.00%	287	04/01/21	-	2,247
Connecticut Department of Developmental Services Unsecured	6.00%	119	07/01/22	1,383	2,685
Connecticut Department of Developmental Services Unsecured	6.00%	230	07/01/32	22,140	23,521
Connecticut Department of Developmental Services Unsecured	6.00%	199	04/11/37	24,315	25,216
Connecticut Department of Developmental Services Unsecured	6.00%	214	09/01/32	20,813	22,085
Connecticut Department of Developmental Services Unsecured	6.00%	573	09/01/24	19,774	25,279
Connecticut Department of Developmental Services Unsecured	6.00%	143	09/01/37	17,767	18,400
Connecticut Department of Developmental Services Unsecured	6.00%	506	09/01/32	49,359	52,375
Connecticut Department of Developmental Services Unsecured	6.00%	174	09/01/27	10,742	12,140
Connecticut Department of Developmental Services Unsecured	6.00%	445	12/01/32	44,051	46,661
Newtown Bank Loan Vehicles (17)	3.11%	12,841	03/11/23	273,984	416,976
Newtown Bank Loan Vehicles (2)	3.35%	843	03/11/25	36,181	44,902
Total loans payable				950,289	1,184,824
Less: current portion				(196,152)	(234,834)
Total loans payable, net of current portion				$ 754,137	$ 949,990

Table 10.1 - Consolidated Schedule of Debt Obligations, Continued

Minimum future principal payments on mortgages and loans for the next five years and thereafter are as follows:

2022	$ 433,945
2023	381,369
2024	269,268
2025	273,598
2026	277,041
Thereafter	3,001,586
	$ 4,636,807

Interest expense related to the above mortgages and loans for the years ended June 30, 2021 and 2020 were $250,284 and $269,318, respectively.

SUPPLEMENTARY INFORMATION

MARRAKECH, INC.

Consolidated Supporting Schedule of Operating Revenue

For the years ended June 30, 2021 and 2020

	2021	2020
Department of Developmental Services	$ 25,547,331	$ 24,931,552
Department of Social Services room and board	3,841,288	3,863,697
Department of Mental Health and Addiction Services	3,677,451	3,739,753
Federal and State Covid grant funding	1,256,603	1,192,201
ABI revenue	941,094	1,276,512
DCF Work/Learn and Children Services programs	510,439	463,006
Other revenue, net of gains and losses on disposals of assets	418,835	142,157
Rental revenue	278,578	275,668
Board of Education	270,000	429,593
BRS revenue	214,753	32,812
Caning revenue	131,168	206,335
HSTP revenue	42,300	155,131
BESB revenue	4,176	6,263
	$ 37,134,016	$ 36,714,680

MARRAKECH, INC.

Federal Awards in Accordance with the Uniform Guidance and Independent Auditor's Reports

For the Year Ended June 30, 2021

MARRAKECH, INC.

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Directors
Marrakech, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Marrakech, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Marrakech, 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marrakech, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Marrakech, 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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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 Marrakech, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marrakech, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Guilmartin, DiPiro & Sokolowski LLC

Middletown, Connecticut
February 22, 2022

GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Marrakech, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Marrakech, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marrakech, Inc.'s major federal programs for the year ended June 30, 2021. Marrakech, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marrakech, Inc.'s major federal 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 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). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about Marrakech, Inc.'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 federal program. However, our audit does not provide a legal determination of Marrakech, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Marrakech, 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, 2021.

Report on Internal Control Over Compliance

Management of Marrakech, Inc. 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 Marrakech, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marrakech, Inc.'s internal control over compliance.

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Marrakech, Inc. as of and for the year ended June 30, 2021 and have issued our report thereon dated February 22, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Guilmartin, DiPiro & Sokolowski LLC

Middletown, Connecticut
February 22, 2022

MARRAKECH, INC.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA/ Assistance Listing Number	Pass-Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury				
Pass-through Programs:				
State of Connecticut Department of Developmental Services:				
Covid-19 - Coronavirus Relief Fund	21.019	17DDS0236RD	$ -	$410,864
State of Connecticut Department of Mental Health and Addiction Services:				
Covid-19 - Coronavirus Relief Fund	21.019	Not Available	-	189,911
			-	600,775
U.S. Department of Labor				
WIOA Cluster				
Pass-through Programs:				
State of Connecticut Department of Labor:				
The Workplace, Inc., Bridgeport, Connecticut:				
WIOA - Workforce Innovation and Opportunity - Youth Activities (WIOA Formula Youth)	17.259	WYOU-2020- MARR-001	-	40,800
Total WIOA Cluster			-	40,800
U.S. Department of Health and Human Services				
Pass-through Programs:				
State of Connecticut Department of Children and Families:				
Work/Learn Program New Haven	93.674	19DCF0335	-	4,141
Work/Learn Program Waterbury	93.674	19DCF0335	-	3,571
			-	7,712
U.S. Department of Housing and Urban Development				
CDBG Entitlement Grants Cluster				
Pass-through Programs:				
City of New Haven, Connecticut:				
Covid-19 - Community Development Block Grants/ Entitlement Grants	14.218	Not Available	-	31,475
City of West Haven, Connecticut:				
Covid-19 - Community Development Block Grant/ Entitlement Grant	14.218	Not Available	-	36,406
Community Development Block Grant/Entitlement Grant	14.218	Not Available	-	7,500
Total CDBG Entitlement Grants Cluster			-	75,381
U.S. Department of Housing and Urban Development				
Pass-through Programs:				
City of New Haven, Connecticut:				
Covid-19 - Community Development Block Grant/ Entitlement Grant	14.231	Not Available	-	38,473
Total Expenditures of Federal Awards			$ -	$763,141

The accompanying notes are an integral part of this schedule.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Marrakech, Inc., Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc. (the Organization) under programs of the Federal Government for the year ended June 30, 2021. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not recovered its indirect costs using the 10% de minimis indirect cost rate as provided under the Uniform Guidance. Pass-through entity identifying numbers are presented when available.

MARRAKECH, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______Yes	__x__No
• Significant deficiency(ies) identified?	______Yes	__x__None reported
Noncompliance material to financial statements noted?	______Yes	__x__No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	______Yes	__x__No
• Significant deficiency(ies) identified?	______Yes	__x__None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	______Yes	__x__No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
21.019	Covid-19 - Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low risk auditee?	______Yes	__x__No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.