

MARRAKECH, INC.

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

June 30, 2012 and 2011

MARRAKECH, INC.

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INDEPENDENT AUDITOR'S REPORT



GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Marrakech, Inc.:

We have audited the accompanying consolidated statements of financial position of Marrakech, Inc. (a nonprofit organization referred to as the Organization) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2012 and 2011 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Organization taken as a whole. The accompanying schedules 1 through 3 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of state financial assistance is also presented for purposes of additional analysis as required by the Office of Policy Management *Compliance Supplement to the State Single Audit Act*, 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 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 accompanying schedules 1 through 3 and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Guilmartin DiPiro & Sokolowski, LLC

Middletown, Connecticut
December 28, 2012

FINANCIAL STATEMENTS

MARRAKECH, INC.

Consolidated Statements of Financial Position

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 744,967	\$ 1,350,683
Restricted cash held by bank on deposit as compensating balance	500,000	508,755
Accounts receivable, net of allowance for doubtful accounts of \$296,000 in both years	2,902,796	3,935,047
Due from Habilitative Resource Services, Inc.	18,608	6,722
Prepaid expenses	<u>471,687</u>	<u>191,908</u>
Total current assets	<u>4,638,058</u>	<u>5,993,115</u>
Fixed assets:		
Property and equipment, net	<u>14,274,717</u>	<u>13,499,741</u>
Other assets:		
Due from Whalley Housing Services I, Inc., net of allowance for doubtful accounts of \$78,000 in both years	56,054	59,120
Other assets	<u>140,096</u>	<u>163,434</u>
Total other assets	<u>196,150</u>	<u>222,554</u>
Total assets	<u>\$ 19,108,925</u>	<u>\$ 19,715,410</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 268,758	\$ 411,580
Accrued liabilities	1,494,259	2,389,123
Due to grantors	676,693	621,650
Deferred revenue, current portion	147,134	129,402
Current portion of mortgages and loans payable	<u>1,614,006</u>	<u>2,352,953</u>
Total current liabilities	<u>4,200,850</u>	<u>5,904,708</u>
Long-term liabilities:		
Mortgages payable, less current portion	8,407,291	7,917,784
Loans payable, less current portion	554,266	194,838
Derivative debt agreements (see Note 5)	521,731	275,616
Deferred revenue, less current portion	446,986	459,371
Cash advance payable	429,909	429,909
Contingent liabilities (see Note 7)	-	-
Total long-term liabilities	<u>10,360,183</u>	<u>9,277,518</u>
Total liabilities	<u>14,561,033</u>	<u>15,182,226</u>
Net assets:		
Unrestricted	4,026,895	3,990,707
Temporarily restricted	<u>520,997</u>	<u>542,477</u>
Total net assets	<u>4,547,892</u>	<u>4,533,184</u>
Total liabilities and net assets	<u>\$ 19,108,925</u>	<u>\$ 19,715,410</u>

See accompanying notes to financial statements.

MARRAKECH, INC.

Consolidated Statements of Activities

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Changes in Unrestricted Net Assets</u>		
Revenue and other support:		
Operating revenue	\$ 32,900,354	\$ 30,823,253
Donations and fund-raising	265,061	217,016
Interest income	77	3,253
Net assets released from restrictions	<u>21,480</u>	<u>28,015</u>
Total unrestricted revenue and other support	<u>33,186,972</u>	<u>31,071,537</u>
Operating expenses:		
Salary	20,771,793	19,131,774
Non-salary	7,734,733	7,127,691
Employee benefits	<u>4,398,143</u>	<u>4,911,571</u>
Total operating expenses	<u>32,904,669</u>	<u>31,171,036</u>
Change in unrestricted net assets before other income	<u>282,303</u>	<u>(99,499)</u>
Other income (expense):		
Contribution associated with capital lease obligation release (see Note 10)	-	547,657
Change in fair value of derivative debt agreements (see Note 5)	<u>(246,115)</u>	<u>(275,616)</u>
Total other income (expense)	<u>(246,115)</u>	<u>272,041</u>
Change in unrestricted net assets	36,188	172,542
Unrestricted net assets, beginning of year	<u>3,990,707</u>	<u>3,818,165</u>
Unrestricted net assets, end of year	<u>\$ 4,026,895</u>	<u>\$ 3,990,707</u>
<u>Changes in Temporarily Restricted Net Assets</u>		
Net assets released from restrictions	<u>\$ (21,480)</u>	<u>\$ (28,015)</u>
Change in temporarily restricted net assets	<u>(21,480)</u>	<u>(28,015)</u>
Temporarily restricted net assets, beginning of year	<u>542,477</u>	<u>570,492</u>
Temporarily restricted net assets, end of year	<u>\$ 520,997</u>	<u>\$ 542,477</u>
Total change in net assets	<u>\$ 14,708</u>	<u>\$ 144,527</u>

See accompanying notes to financial statements.

MARRAKECH, INC.

Consolidated Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,708	\$ 144,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	877,328	794,667
Derivative debt agreements	246,115	275,616
Loss on disposal of assets	11,970	2,671
Contribution associated with capital lease obligation release	-	(547,657)
Decrease (increase) in accounts receivable	1,032,251	(153,439)
(Increase) decrease in prepaid expenses	(279,779)	283,193
(Increase) in other assets	(5,676)	(145,362)
(Decrease) in accounts payable	(258,077)	(347,182)
(Decrease) in accrued liabilities	(779,609)	(196,344)
Increase (decrease) in due to grantors	55,043	(63,341)
(Increase) decrease in due from others	(8,820)	198,878
Increase (decrease) in deferred revenue	5,347	(128,634)
Total adjustments	<u>896,093</u>	<u>(26,934)</u>
Net cash provided by operating activities	<u>910,801</u>	<u>117,593</u>
Cash flows from investing activities:		
Cash payments for the purchase and development of property	<u>(963,260)</u>	<u>(1,642,083)</u>
Net cash (used) by investing activities	<u>(963,260)</u>	<u>(1,642,083)</u>
Cash flows from financing activities:		
Proceeds of line of credit	16,863,927	4,450,000
Repayment of line of credit	(17,678,954)	(3,950,000)
Proceeds of long-term debt	935,000	1,613,855
Principal payments on loans and capital leases	<u>(681,985)</u>	<u>(698,366)</u>
Net cash (used) provided by financing activities	<u>(562,012)</u>	<u>1,415,489</u>
Net (decrease) in cash and cash equivalents	(614,471)	(109,001)
Cash and cash equivalents, beginning of year	<u>1,859,438</u>	<u>1,968,439</u>
Cash and cash equivalents, end of year	<u>\$ 1,244,967</u>	<u>\$ 1,859,438</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	<u>\$ 605,163</u>	<u>\$ 577,505</u>
Non-cash investing and financing activities:		
Acquisition and development of property and acquisition of vehicles through debt financing	<u>\$ 672,000</u>	<u>\$ 220,142</u>

See accompanying notes to financial statements.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

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 Agencies).

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 disabilities in the State of Connecticut. The operating revenue for the Agencies comes primarily from the 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 and developmentally disabled persons. It is principally funded through cost reimbursements from the State of Connecticut Department of Mental Health and Addiction Services (DMHAS).

Basis of presentation

The consolidated financial statements of the Agencies have been prepared on the accrual basis of accounting. Significant intercompany accounts and transactions have been eliminated on the consolidated statements of financial position, consolidated statements of activities and consolidated statements of cash flows.

A summary of the Agencies' significant accounting policies is as follows:

Income tax status

The Agencies have received exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agencies have also been classified as entities that are not private foundations within the meaning of Section 509(a) and qualify for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Management has reviewed the Agencies 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.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the certain reported amounts. Accordingly actual results could differ from those estimates.

As of June 30, 2012, Marrakech had recorded a cumulative amount due of \$590,000 from the State of Connecticut related to its Clinton intermediate care facility. Since April 20, 2011 the facility has been reimbursed using "interim rates" based on cost and occupancy assumptions made during the budgeting process. These rates typically remain in effect until the State has sufficient actual cost data to issue final rates and "cost settle" for the interim period. Due to a reduction in the number of billable beds from 16 to 15, an unbudgeted user fee tax, and other unanticipated costs related to caring for a more challenged resident population, Marrakech has incurred a significant amount of unreimbursed cost during this interim rate period. The amount accrued represents approximately 55% of the total difference between actual operating costs and the compensation received thus far. A request to amend the facility's interim rates has been made and is currently, as of the date of these financial statements, under review by the State of Connecticut. Management believes that the methodology and assumptions used in computing this receivable are conservative and in accordance with customary settlement procedures.

Cash and cash equivalents

For the purpose of the statements of cash flows, the Agencies consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted cash

Marrakech's cash balances at June 30, 2012 and 2011 include \$500,000 held by Citizens Bank as a cash collateral reserve for its mortgages on the Agency's Clinton Harbor property (see Note 5). This balance will be released by the bank upon the Agency meeting certain financial and operating goals pertaining to the Clinton Harbor facility as defined in the loan agreement with the bank.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Restricted cash, continued

As of June 30, 2011, Marrakech also had a restricted cash balance of \$8,755 on deposit with Peoples United Bank, held as collateral against an outstanding loan with the bank. This loan was paid off as of June 30, 2012 and the balance was released.

Allowance for bad debts

The allowance for doubtful accounts is based on management's evaluation of specific accounts receivable at the end of the year. Receivables are written off to the allowance when it is probable that the amounts will not be collectible.

Property and equipment

The Agencies follow the practice of capitalizing at cost all property and equipment with costs in excess of stated amounts as required by the Agencies' funding sources. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years. Maintenance and repairs are charged to expenses as incurred.

Derivative debt agreements and interest rate risk management

During the fiscal year ended June 30, 2011, Marrakech, Inc. entered into variable rate debt agreements (interest rate swaps) related to the first and second mortgages on its newly developed Clinton Harbor intermediate care facility as well as its refinance of the balloon payment due on its Whalley Avenue property in New Haven, Connecticut. During the fiscal year ended June 30, 2012, Marrakech, Inc. entered into two additional interest rate swap agreements pertaining to mortgages on two additional 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.

Net asset categories

To ensure observance of limitations and restrictions placed on the use of resources available to the Agencies, the limitations and restrictions are maintained in the following net asset categories:

Unrestricted

All of the Agencies' unrestricted net assets are for general use by the corporations.

Temporarily restricted

Temporarily restricted net assets represent costs of buildings, building renovations and vehicles acquired via donation or grant awards. The Agencies must utilize the respective properties to which these contributions or grants pertain in accordance with any restrictive covenants and for any designated time periods set forth as conditions of the awards.

Where specific time frames have been stipulated for qualified use, assets are released from restriction either ratably over the period of restriction or in full at the period's end, in keeping with grantor restrictions. Where no designated time frame for qualified use has been set, assets are released from restriction in amounts equal to the annual depreciation taken over their useful lives in accordance with the Agencies' depreciation policies.

As of June 30, 2012, there are temporarily restricted net assets of \$520,997.

NOTE 2 **CONCENTRATIONS**

The Agencies maintain their cash balances with various financial institutions. Such deposits at times have exceeded federal depository limits; however, the Agencies believe their cash deposits are not subject to significant credit risk.

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

NOTE 3 **REVENUES**

Grants and contracts

The operating revenue for the Agencies comes primarily from the State of Connecticut Departments of Developmental Services (DDS), Children & Families (DCF) and Social

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Grants and contracts, continued

Services (DSS), the Social Security Administration (SSA), the Department of Labor (DOL) and the Department of Mental Health and Addiction Services (DMHAS).

Grants and contracts are agreements in which the grantor or contractor requires expenditures for the performance of specified activities. The Agencies record their grant or contract revenue equal to the expenditure of funds in accordance with grant specification. Grant and contract receipts in excess of allowable expenditures are recorded as deferred revenue if the grant extends beyond the Agencies' fiscal year and as due to grantor if the grant was completed within the fiscal year.

Bond revenue

Contributions received under grant-in-aid bonding and other agreements, to finance the acquisition and development of property to be dedicated to a specific use over a required number of years, are recorded as deferred revenue on the Agencies' statements of financial position. Revenue is then recognized ratably over the restricted use period as the liability for repayment to the donor is reduced by any applicable forgiveness provisions.

Fund-raising

Marrakech conducts various fund-raising activities during the year including various special events and appeals for donations. The total cost of fund-raising activities was \$74,217 and \$62,411 for the years ended June 30, 2012 and 2011, respectively which included salary and benefits associated with Marrakech staff involved in fund-raising activities of \$19,311 in both years.

NOTE 4

PROPERTY AND EQUIPMENT

Components of property and equipment are as follows:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 1,236,602	\$ 1,233,014
Transportation equipment	2,889,414	2,674,524
Buildings, land and improvements	17,504,849	16,271,410
Construction-in-progress	<u>150,049</u>	<u>7,931</u>
	21,780,914	20,186,879
Less: accumulated depreciation	<u>7,506,197</u>	<u>6,687,138</u>
Total	<u>\$14,274,717</u>	<u>\$13,499,741</u>

Depreciation expense was \$848,314 and \$789,136 for the years ended June 30, 2012 and 2011, respectively.

NOTE 5

DEBT OBLIGATIONS

Lines of credit agreements

Citizens Bank

Marrakech has a revolving line of credit with Citizens Bank which expired as of June 30, 2012 and was extended by the bank through December 31, 2012. 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 may be withdrawn under the agreement is \$2,000,000. The interest rate was 4.25% as of June 30, 2012 and 2011 and the balances due were \$886,473 and \$1,750,000, respectively. The obligation has been guaranteed by each Agency.

Start Community Bank

During the fiscal year ended June 30, 2012, Marrakech had entered into a line of credit agreement with Start Community Bank. Advances on the line of credit bear interest at a variable rate under the agreement and are payable in full at the maturity date of the agreement unless the advances are converted to a term promissory note with the bank. The maximum amount which may be withdrawn under the agreement is \$600,000. The interest rate at June 30, 2012 was 5.25% and the balance was \$48,500. The agreement matured on October 1, 2012 and the balance due at that time of \$133,500 was converted to a term promissory note. As of the date of these financial statements, the bank is currently reviewing Marrakech's request for an extension on the line of credit.

First Niagara Bank

During the fiscal year ended June 30, 2012, Marrakech had entered into a line of credit agreement with First Niagara Bank. Advances on the line of credit bear interest at a variable rate under the agreement and are convertible to a term promissory note with the bank for up to seven years at a variable interest rate after conversion. The maximum amount which may be withdrawn under the agreement is \$1,000,000. On March 14, 2012, \$615,000 was borrowed under the line of credit and immediately converted to a term promissory note over a forty-eight month period. The line of credit matured on September 1, 2012 and there was no balance owed as of June 30, 2012, nor at expiration. As of the date of these financial statements, the bank is currently reviewing Marrakech's request for an extension on the line of credit.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Construction loan financing for Clinton Harbor facility

During the fiscal year ended June 30, 2010, Marrakech entered into a construction loan agreement with Citizens Bank for the build-out of its Clinton Harbor property, a 15 bed intermediate care facility for developmentally disabled individuals. Advances on the loan were made by the bank as construction progressed and totaled \$2,700,000 as of January 31, 2011.

Permanent financing of the construction loans

The construction loans were subsequently converted into two term loans of \$1,700,000 and \$1,000,000 as provided under the original agreement. As of June 30, 2012 and 2011, the balances owed on the \$1,700,000 loan were \$1,512,922 and \$1,639,104, respectively and the balances owed on the \$1,000,000 loan were \$964,610 and \$988,492, respectively. The \$1,700,000 and \$1,000,000 loans are payable in equal monthly amounts of principal of \$10,149 and \$1,918, respectively plus interest on each loan's respective monthly balance at 6.88% and 7.17% per annum on each loan, respectively. Principal balances on the loans are reset on an annual basis in accordance with each loan's amortization schedule. Both loans mature on January 1, 2021 (ten years). The \$1,700,000 loan is being amortized on a ten year schedule and the \$1,000,000 loan is amortized over a twenty year time frame. The loans are secured by Marrakech's Clinton Harbor home and Woodbridge main office properties, including all improvements on each. These loans are included in the schedule of debt obligations at Table 5.1 at the end of these footnotes.

The aforementioned loans, along with another term loan which had been refinanced during the fiscal year ended June 30, 2011 and two additional mortgage loans received during the fiscal year ended June 30, 2012, have 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 Agency could incur additional liabilities should the agreements be terminated before maturity by Marrakech (see Note 1). As of the fiscal years ended June 30, 2012 and 2011, the agreements were in a net liability position totaling \$521,731 and \$275,616, respectively, which is shown on the Agency's consolidated statements of financial position under long-term liabilities as "derivative debt agreements." The Agency has recorded net expenses related to the agreements changes in fair values of \$246,115 and \$275,616 for the fiscal years ended June 30, 2012 and 2011, respectively 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, loans and capital lease obligations

The Agencies have additional mortgages, notes payable and capital lease obligations as of June 30, 2012 and 2011. Please see the schedule of debt obligations (Table 5.1) and their respective terms at the end of these footnotes.

NOTE 6

LEASE OBLIGATIONS

Capital leases

Marrakech Housing Options, Inc. has entered into five residential lease agreements with CIL Realty, Inc. (CIL) and is responsible for operating costs such as insurance, property taxes and maintenance. Upon the expiration of these leases, the facilities will be donated to Marrakech Housing Options, Inc. On December 10, 2010, CIL had transferred one property (60 Knollwood Drive, New Haven, Connecticut) to the Agency. The remaining four properties have been transferred to the Agency by CIL effective March 31, 2011 prior to the original lease term. Further payments are not required. The remaining lease liability at the date of the transfer totaling \$409,657 has been recorded as other income in the fiscal year ended June 30, 2011 in the accompanying consolidated statements of activities.

The following capitalized leased assets have been included in property and equipment (Note 4).

	<u>2012</u>	<u>2011</u>
Building and improvements	\$1,301,976	\$1,301,976
Land	<u>210,098</u>	<u>210,098</u>
	1,512,074	1,512,074
Less: accumulated amortization	<u>980,085</u>	<u>931,432</u>
	<u>\$ 531,989</u>	<u>\$ 580,642</u>

Depreciation expense on the capitalized leased assets was \$48,653 and \$42,777 for the fiscal years ended June 30, 2012 and 2011, respectively and has been included within depreciation expense in Note 4.

Interest expense incurred on the above leases was \$29,096 for the year ended June 30, 2011.

Leased facilities

The Agencies conduct a significant part of their operations from leased facilities. Lease commitments include leases which expire at certain dates through June 30, 2016, as well as

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Leased facilities, continued

certain leases which are on a month-to-month basis. Management expects that in the normal course of business, leases will either be renewed or replaced by other leases. In certain leases, the Agencies are required to pay certain operating costs. Various leases contain restrictions as to the use of the properties and subletting arrangements.

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

2013	\$ 83,036
2014	87,988
2015	89,998
2016	35,557
2017	-
Total	<u>\$296,579</u>

Rent expense for the years ended June 30, 2012 and 2011 for these leased facilities was \$279,634 and \$215,730, respectively.

NOTE 7
CONTINGENCY

Marrakech has been awarded grant funding for acquisition of various properties and for building improvements over several years. These grant awards stipulate that if the Agency 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.

NOTE 8
CASH ADVANCES

The cash advance payable of \$429,909 as of June 30, 2012 and 2011 represents cumulative amounts advanced to Marrakech Housing Options, Inc. from the Connecticut Department of Developmental Services (DDS) for the first month's operating expenses for each of the residential programs. Each of these advances must be repaid if and when Marrakech Housing Options, Inc. no longer provides services under their respective facility license from DDS.

NOTE 9
DEFINED CONTRIBUTION PLAN

The Agencies have adopted a profit sharing plan covering all full-time employees who are at least twenty-one years old and

have worked for the Agencies for at least one year. Each participant's interest in the employer's contributions and the earnings thereon are vested 20% after three years of service with an additional 20% vesting for each additional year of service thereafter, up to the maximum vesting of 100%. The Board of Directors determines the amount of the contribution each fiscal year which is allocated to each participant in the same proportion as his or her compensation bears to the compensation of all participants. Total expenses as authorized by the Board of Directors for the years ended June 30, 2012 and 2011 was \$0 and \$573,954, respectively.

NOTE 10
CONTRIBUTION ASSOCIATED WITH CAPITAL LEASE OBLIGATION RELEASE

As discussed in Note 6, CIL had transferred all properties to Marrakech Housing Options, Inc. effective March 31, 2011 and Marrakech Housing Options, Inc.'s remaining lease liability of \$409,657 has been forgiven and recorded as income. The Agency also had an outstanding debt owed to CIL of \$138,000 for working capital advances provided to Marrakech Housing Options, Inc. for operation of two of the properties in prior years. These liabilities have been forgiven by CIL. The total debt released and recorded as other income on the statements of activities for June 30, 2011 was \$547,657.

NOTE 11
SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 28, 2012, the date on which the financial statements were available to be issued.

NOTE 12
LITIGATION

The Agencies are periodically subject to claims and lawsuits that arise in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits will be reported when the outcome can be accurately estimated.

NOTE 13
RECLASSIFICATIONS

Certain adjustments have been made to the 2011 consolidated statement of financial position and consolidated statement of cash flows in order to conform the presentation of the balances to the 2012 consolidated statement of financial position and consolidated statement of cash flows.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Table 5.1 - Schedule of Debt Obligations

<u>Lender/Collateral</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity Date</u>	<u>2012</u>	<u>2011</u>
<u>Mortgages payable</u>					
CCO Mortgage Corporation 106-108 Sherman Avenue, New Haven, Connecticut	4.25%	\$ 903	05/01/18	\$ 55,881	\$ 64,147
CCO Mortgage Corporation 60 Plainfield Avenue, New Haven, Connecticut	8.25%	270	07/01/30	30,384	31,090
CCO Mortgage Corporation 615-617 Whalley Avenue, New Haven, Connecticut	8.25%	338	08/01/30	38,058	38,933
CCO Mortgage Corporation 106-108 Hobart Street, New Haven, Connecticut	6.50%	484	09/01/31	63,499	65,115
CCO Mortgage Corporation 158R Meetinghouse Road, Durham, Connecticut	5.50%	1,416	03/01/36	224,558	229,058
CCO Mortgage Corporation 27-29 Robbins Street, Waterbury, Connecticut	5.63%	1,151	05/01/36	181,139	184,657
CCO Mortgage Corporation 85 Talmadge Hill Road, Prospect, Connecticut	5.88%	2,395	08/01/36	369,952	376,741
CCO Mortgage Corporation 88-90 Sherman Avenue, New Haven, Connecticut	5.63%	1,891	11/01/36	300,322	305,616
CCO Mortgage Corporation 25 Kreger Drive, Wolcott, Connecticut	5.63%	1,917	06/01/37	307,928	313,233
CCO Mortgage Corporation 32-34 Plant Street, New Haven, Connecticut	4.13%	894	10/01/40	178,849	182,128
Citizens Bank 514-526 Whalley Avenue, New Haven, Connecticut	5.50%	1,600	05/18/21	216,433	234,749
Citizens Bank 6 Lunar Drive, Woodbridge, Connecticut	5.90%	2,880	12/02/11	-	16,905
Citizens Bank (see Note 5) 5 Harbor Parkway, Clinton, Connecticut	6.88%	10,149	01/01/21	1,512,922	1,639,104
Citizens Bank (see Note 5) 5 Harbor Parkway, Clinton, Connecticut	7.17%	1,918	01/01/21	964,610	988,492
Citizens Bank 60 Knollwood Drive, New Haven, Connecticut	4.40%	754	12/22/21	197,390	-
Citizens Bank 50 Oak Tree Avenue, Waterbury, Connecticut	4.40%	3,059	12/22/21	661,313	-
Community Capital Fund Properties located in Bridgeport, Connecticut at 1041-1043 Main Street, 1053-1057 East Main Street, 224 Beach Street and 426-436 Artic Street	3.00%	1,054	01/01/18	226,433	232,194
Community Capital Fund Properties located in Bridgeport, Connecticut at 1041-1043 Main Street, 1053-1057 East Main Street, 224 Beach Street and 426-436 Artic Street	6.00%	1,332	01/01/22	115,454	-
Connecticut Department of Developmental Services 43 Ramsdell Street, New Haven, Connecticut	6.00%	1,120	03/01/18	63,673	72,943
Connecticut Department of Developmental Services 159 Osborn Avenue, New Haven, Connecticut	6.00%	1,675	06/01/19	113,341	126,219
Connecticut Department of Developmental Services 25 Kreger Drive, Wolcott, Connecticut	6.00%	1,441	07/01/38	227,394	230,926
Connecticut Housing Finance Authority 21 Victor Hill Road, Branford, Connecticut	7.34%	2,017	09/01/26	213,568	221,773
Connecticut Housing Finance Authority 33 Lake Street, West Haven, Connecticut	6.93%	2,343	07/16/27	263,340	272,830
Connecticut Housing Finance Authority 92 Hurd Road, Trumbull, Connecticut	6.63%	1,734	10/01/30	220,536	226,515
Connecticut Housing Finance Authority 92 View Terrace, East Haven, Connecticut	6.63%	1,740	10/01/30	221,322	227,323
Connecticut Housing Finance Authority 2 Anton Circle, Bridgeport, Connecticut	5.75%	2,425	01/01/33	350,640	359,303
TD Bank Properties located in Bridgeport, Connecticut at 1041-1043 Main Street, 1053-1057 East Main Street, 224 Beach Street and 426-436 Artic Street	7.00%	3,210	12/28/16	408,591	417,676
Wachovia Bank 597 East Street, New Haven, Connecticut	6.66%	1,999	10/01/16	88,533	105,877
Wachovia Bank 118 Migeon Avenue, Torrington, Connecticut	6.25%	1,242	06/01/18	73,363	83,260
Wachovia Bank 615-617 Whalley Avenue, New Haven, Connecticut	7.25%	1,141	08/01/19	77,346	85,027
Wachovia Bank 450 Island Lane, West Haven, Connecticut	7.15%	10,957	10/27/21	889,742	953,991
Total mortgages payable				8,856,514	8,285,825
Less: current portion				(449,223)	(368,041)
Total mortgages payable, net of current portion				\$ 8,407,291	\$ 7,917,784

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Table 5.1 - Schedule of Debt Obligations, Continued

<u>Lender/Collateral</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity Date</u>	<u>2012</u>	<u>2011</u>
<u>Loans payable</u>					
Citizens Bank Line of Credit - see Note 5	4.25%	-	12/31/12	\$ 886,473	\$ 1,750,000
Connecticut Department of Developmental Services/Unsecured	6.01%	193	01/01/12	-	940
Connecticut Department of Developmental Services/Unsecured	6.01%	106	09/01/12	207	1,430
Connecticut Department of Developmental Services/Unsecured	6.01%	187	01/01/13	1,173	3,279
Connecticut Department of Developmental Services/Unsecured	6.00%	201	10/01/13	2,673	5,060
Connecticut Department of Developmental Services/Unsecured	6.00%	116	10/01/13	1,678	2,933
Connecticut Department of Developmental Services/Unsecured	6.00%	181	04/01/16	7,285	8,957
Connecticut Department of Developmental Services/Unsecured	6.01%	523	01/01/13	2,880	8,772
Connecticut Department of Developmental Services/Unsecured	6.00%	98	07/01/16	4,151	5,043
Connecticut Department of Developmental Services/Unsecured	6.00%	129	10/01/18	8,038	9,067
JP Morgan Chase Bank/Automobile	6.83%	482	03/01/12	-	3,739
JP Morgan Chase Bank/Automobile	6.64%	432	05/07/12	-	4,197
Lakeland Bank/Automobile	10.82%	1,164	04/20/14	23,131	33,950
First Niagara Bank/First lien interest in personal property acquired with loan proceeds	4.25%	13,971	03/14/16	567,605	-
First Niagara Bank/First lien interest in personal property acquired with loan proceeds	7.07%	9,680	05/01/12	-	94,213
First Niagara Bank/Security agreement for specified corporate assets of Marrakech, Inc.	7.25%	6,940	08/01/14	160,756	229,280
Peoples Bank/Various non real estate assets of group homes located at 20 Cortina Road, East Haven, Connecticut and 470 Stevenson Road, New Haven, Connecticut	8.45%	4,385	09/01/11	-	8,755
Start Community Bank Line of Credit - see Note 5	5.25%	-	10/01/12	48,500	
Toyota Credit Corporation/Automobile	6.96%	514	04/15/13	4,499	10,135
				<u>1,719,049</u>	<u>2,179,750</u>
Less: current portion				<u>(1,164,783)</u>	<u>(1,984,912)</u>
Total loans payable, net of current portion				<u>\$ 554,266</u>	<u>\$ 194,838</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Table 5.1 - Schedule of Debt Obligations, Continued

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

2013	\$ 1,614,006
2014	718,392
2015	671,345
2016	645,500
2017	527,519
Thereafter	<u>6,920,532</u>
	<u>\$11,097,294</u>

Interest expense related to the above mortgages and loans and the Agencies' lines of credit for the years ended June 30, 2012 and 2011 was \$605,163 and \$577,505 (inclusive of capitalized interest of \$34,893 for the Agencies' construction of it's Clinton facility in 2011), respectively.

SUPPLEMENTARY INFORMATION

MARRAKECH, INC.

Consolidated Supporting Schedule of Operating Revenue

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Department of Developmental Services	\$ 17,585,742	\$ 18,208,093
Department of Social Services Room and Board	6,958,156	4,127,462
DMHAS	3,268,187	2,944,633
ABI revenue	2,381,718	2,430,687
DCF Work/Learn and Children Services programs	1,196,149	1,215,509
BRS revenue	516,117	467,623
Other revenue	324,414	670,397
Rental revenue	323,687	280,413
HSTP revenue	229,240	366,187
BESB revenue	88,821	90,459
Caning revenue	<u>28,123</u>	<u>21,790</u>
	<u>\$ 32,900,354</u>	<u>\$ 30,823,253</u>

MARRAKECH, INC.

Consolidated Supporting Schedule of Non-Salary

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Transportation	\$ 1,056,015	\$ 928,685
Consultants	1,041,625	1,078,560
Depreciation and amortization	877,328	794,667
Utilities	773,775	787,454
Interest	605,163	542,612
Food and household supplies	471,977	416,437
Plant maintenance and repairs	434,503	434,042
Insurance	406,988	373,839
Miscellaneous	344,182	307,193
Intermediate care facility State of Connecticut user fees	287,539	-
Rent	285,632	214,259
Training	230,392	181,455
Program supplies	196,702	310,063
Equipment expenses	187,926	180,787
Professional fees	153,635	207,599
Property taxes	138,748	112,725
Medical supplies	129,923	128,295
Advertising	79,736	91,448
Dues, fees and licenses	<u>32,944</u>	<u>37,571</u>
	<u>\$ 7,734,733</u>	<u>\$ 7,127,691</u>

MARRAKECH, INC.

Consolidated Supporting Schedule of Employee Benefits

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Health insurance benefits	\$ 1,822,772	\$ 1,646,332
FICA	1,534,321	1,423,873
Workers' compensation insurance	700,791	715,502
Unemployment insurance	276,221	523,392
Miscellaneous	64,038	28,518
Pension expense	<u>-</u>	<u>573,954</u>
	<u>\$ 4,398,143</u>	<u>\$ 4,911,571</u>

MARRAKECH, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2012

State Grantor Pass-Through Grantor <u>Program Title</u>	<u>State CORE - CT Number</u>	<u>Expenditures</u>
Department of Developmental Services:		
Community Living Arrangements	11000-DDS50000-16122	\$ 8,387,734
Individual Home Supports	11000-DDS50000-16122	1,545,016
Community Training Home Support	11000-DDS50000-16122	73,673
Community Residential Supports	11000-DDS50000-16122	2,239,004
Day Services	11000-DDS50000-16108	3,650,964
Fee For Service (Waiver)	11000-DDS50000-unknown	1,601,800
Department of Mental Health and Addiction Services:		
Mental Health Service Grants	11000-MHA53000-16053	325,758
Employment Opportunities	11000-MHA53000-16070	637,174
Special Population	11000-MHA53000-12250	2,226,056
Department of Social Services:		
Bureau of Rehabilitation Services	11000-DSS60771-16004	316,491
Department of Labor:		
Passed-through Northwest Regional Workforce Investment Board, Waterbury, Connecticut:		
Jobs First Employment Service	11000-DOL40000-12212	90,183
Passed-through Workforce Alliance, New Haven, Connecticut:		
Jobs First Employment Service	11000-DOL40000-12212	2,789
Passed-through The Workplace, Inc., Bridgeport, Connecticut:		
Jobs First Employment Service	11000-DOL40000-12212	43,770
Department of Children & Families:		
Work Learn Program	1100-DCF91110-16135	390,000
Work Learn Program	1100-DCF91110-16120	<u>353,688</u>
Total State Financial Assistance		<u>\$21,884,100</u>

See notes to schedule.

MARRAKECH, INC.

Notes to the Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2012

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Marrakech, Inc., Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including various programs of the State of Connecticut's Departments of Developmental Services, Mental Health and Addiction Services, Social Services, Labor and Children & Families.

Basis of accounting

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

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marrakech, Inc., Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

SUPPLEMENTARY REPORTS



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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Marrakech, Inc.:

We have audited the financial statements of Marrakech, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. 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.

Internal Control over Financial Reporting

Management of Marrakech, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marrakech, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marrakech, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Office of Policy and Management and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Guilmartin, DiPiro & Sokolowski, LLC.

Middletown, Connecticut
December 28, 2012



GUILMARTIN ▫ DIPIRO ▫ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT**

The Board of Directors
Marrakech, Inc.:

Compliance

We have audited Marrakech, Inc.'s compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of Marrakech, Inc.'s major state programs for the year ended June 30, 2012. The major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Marrakech, Inc.'s management. Our responsibility is to express an opinion on Marrakech, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Marrakech, Inc.'s compliance with those requirements.

In our opinion, Marrakech, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Marrakech, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Marrakech, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marrakech, Inc.'s internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Guilmont, DiPina & Sakelavoski, LLC.

Middletown, Connecticut
December 28, 2012

MARRAKECH, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

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

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

<u>State Grantor and Program</u>	<u>State CORE - CT Number</u>	<u>Expenditures</u>
Department of Developmental Services:		
Community Living Arrangements	11000-DDS50000-16122	\$ 8,387,734
Individual Home Supports	11000-DDS50000-16122	1,545,016
Community Training Home Support	11000-DDS50000-16122	73,673
Community Residential Supports	11000-DDS50000-16122	<u>2,239,004</u>
		12,245,427
 Day Services	 11000-DDS50000-16108	 3,650,964
 Fee For Service (Waiver)	 11000-DDS50000-unknown	 1,601,800
Department of Mental Health and Addiction Services:		
Employment Opportunities	11000-MHA53000-16070	637,174
Special Population	11000-MHA53000-12250	2,226,056

Dollar threshold used to distinguish between type A and type B programs: \$437,682

2. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 28, 2012, 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*.

MARRAKECH, INC.

Schedule of Findings and Questioned Costs, Continued

- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies.

3. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.