

**MARRAKECH, INC.**

**State Financial Assistance in  
Accordance with the State Single Audit Act  
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 material weaknesses. 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*.

**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.

*Guilmarini, DiPiro & Sokolowski LLC*

Middletown, Connecticut  
February 22, 2022



GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

The Board of Directors  
Marrakech, Inc.:

**Report on Compliance for Each Major State Program**

We have audited Marrakech, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Marrakech, Inc.'s major state programs for the year ended June 30, 2021. Marrakech, Inc.'s major state 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 the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditor's Responsibility**

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

**Opinion on Each Major State 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 state 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

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 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 state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Guilmaria, DiPiro & Sokolowski LLC*

Middletown, Connecticut  
February 22, 2022

**MARRAKECH, INC.**

**Schedule of Expenditures of State Financial Assistance**

**For the fiscal year ended June 30, 2021**

State Grantor Pass-Through Grantor <u>Program Title</u>	State Grant Program <u>CORE - CT Number</u>	Passed Through to Subrecipients	<u>Expenditures</u>
Department of Developmental Services:			
Community Living Arrangements	12060-DDS50000-90678	\$ -	\$12,093,288
Individualized Home Supports	12060-DDS50000-90678	-	1,321,673
Community Training Home	12060-DDS50000-90678	-	80,520
Continuous Residential Supports	12060-DDS50000-90678	-	5,254,749
Subtotal		<u>-</u>	<u>18,750,230</u>
Community Living Arrangements	11000-DDS50000-12493	-	69,778
Individualized Home Supports	11000-DDS50000-12493	-	2,947
Continuous Residential Supports	11000-DDS50000-12493	-	99,343
Subtotal		<u>-</u>	<u>172,068</u>
Employment Opportunities and Day Services	11000-DDS50000-16108	-	5,886,803
Total Department of Developmental Services		<u>-</u>	<u>24,809,101</u>
Department of Mental Health and Addiction Services:			
Mental Health Service Grants	11000-MHA53000-16053	-	34,972
Employment Opportunities	11000-MHA53000-16070	-	800,204
Young Adult Services	11000-MHA53000-12250	-	2,629,411
Discharge and Diversion Services	11000-MHA53000-12330	-	301,518
Grants for Substance Use Services	11000-MHA53000-16003	-	80,370
		<u>-</u>	<u>3,846,475</u>
Department of Children and Families:			
Work/Learn Program New Haven	11000-DCF91100-16120	-	229,656
Work/Learn Program Waterbury	11000-DCF91100-16120	-	228,744
		<u>-</u>	<u>458,400</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$29,113,976</u>

See notes to schedule.

**MARRAKECH, INC.**

**Notes to the Schedule of Expenditures of State Financial Assistance**

**For the year ended June 30, 2021**

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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, 2021. 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, and Children and Families.

**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 organizations.

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

**Basis of accounting**

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

**NOTE 2 – BRIDGE FUNDING ADVANCES**

DDS bridge funding advances have been provided to Marrakech Housing Options, Inc. totaling \$1,996,336 to assist in cash flow needs. For financial statement purposes, this amount is an offset against DDS accounts receivable.

**NOTE 3 – FEE FOR SERVICE REVENUE**

Marrakech Housing Options, Inc. received fee for service revenue from the Department of Developmental Services for the year ended June 30, 2021. Marrakech Housing Options, Inc. is considered to be a vendor under these agreements. The fee for service revenue detailed below represents actual revenue recognized under these arrangements and not actual expenditures incurred.

<u>State Grantor and Program</u>	<u>State CORE - CT Number</u>	<u>Amount</u>
Department of Developmental Services: Employment Opportunities and Day Services	11000-DDS50000-16108	\$738,229

**MARRAKECH, INC.**

**Notes to the Schedule of Expenditures of State Financial Assistance, Continued**

**NOTE 4 – LOAN PROGRAMS**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2021:

Department of Developmental Services  
Capital Improvements 12060-DDS50000-90678

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance at July 1, 2020</u>	<u>Paid</u>	<u>Balance at June 30, 2021</u>
Revolving loans payable:						
Kreger Drive	02/05/16	6.00%	\$ 24,461	\$ 15,622	\$2,386	\$ 13,236
Cortina Road	02/05/16	6.00%	8,200	5,237	800	4,437
Stevenson Road	02/05/16	6.00%	10,100	6,450	985	5,465
Stevenson Road	02/05/16	6.00%	15,699	2,374	2,374	-
Cortina Road	02/05/16	6.00%	17,576	13,997	966	13,031
Cortina Road	02/05/16	6.00%	26,760	4,047	4,047	-
Anton Circle	02/05/16	6.00%	10,817	6,908	1,055	5,853
Knollwood Drive	02/05/16	6.00%	14,858	2,247	2,247	-
Kreger Drive	06/06/17	6.00%	6,156	2,685	1,302	1,383
Kreger Drive	06/06/17	6.00%	27,200	23,521	1,381	22,140
Kreger Drive	06/06/17	6.00%	27,800	25,216	901	24,315
Stevenson Road	08/18/17	6.00%	25,300	22,085	1,272	20,813
Stevenson Road	08/18/17	6.00%	39,200	25,279	5,505	19,774
Talmadge Hill Road	08/18/17	6.00%	20,000	18,400	633	17,767
Talmadge Hill Road	08/18/17	6.00%	60,000	52,375	3,016	49,359
Talmadge Hill Road	08/18/17	6.00%	15,675	12,140	1,398	10,742
View Terrace	12/01/17	6.00%	52,724	46,661	2,610	44,051
Mortgages payable:						
Kreger Drive	12/01/08	6.00%	239,373	190,057	6,053	184,004
Talmadge Hill Road	06/19/14	6.00%	15,923	7,527	1,716	5,811

**MARRAKECH, INC.**

**Schedule of Findings and Questioned Costs**

**For the year ended June 30, 2021**

**1. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ x No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes \_\_\_\_\_ x None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ x No

*State Financial Assistance*

Internal control over major programs:

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

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

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

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

<u>State Grantor and Program</u>	<u>State CORE - CT Number</u>	<u>Expenditures</u>
Department of Developmental Services:		
Community Living Arrangements	11000-DDS50000-12493	\$ 69,778
Community Living Arrangements	12060-DDS50000-90678	12,093,288
Individualized Home Supports	11000-DDS50000-12493	2,947
Individualized Home Supports	12060-DDS50000-90678	1,321,673
Community Training Home	12060-DDS50000-90678	80,520
Continuous Residential Supports	11000-DDS50000-12493	99,343
Continuous Residential Supports	12060-DDS50000-90678	5,254,749

Dollar threshold used to distinguish between type A and type B programs: \$582,280

**2. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**3. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No matters were reported.