

MARRAKECH, INC.

**State Financial Assistance in
Accordance with the State Single Audit Act
and Independent Auditor's Reports**

June 30, 2023

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, 2023, 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 21, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

Guilmartin, DiPiro & Sokolowski LLC

Middletown, Connecticut
February 21, 2024



GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Directors
Marrakech, Inc.:

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Marrakech, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of the State of Connecticut Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State of Connecticut Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State of Connecticut Single Audit Act, we:

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

We have audited the consolidated financial statements of Marrakech, Inc. as of and for the year ended June 30, 2023, and have issued our report thereon dated February 21, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed 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 of Connecticut Single Audit Act (C.G.S. Sections 4-230 to 4-236) 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 state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Guilmarzi, DiPiro & Sokolowski LLC

Middletown, Connecticut
February 21, 2024

MARRAKECH, INC.

Schedule of Expenditures of State Financial Assistance

For the fiscal year ended June 30, 2023

State Grantor Pass-Through Grantor <u>Program Title</u>	State Grant Program <u>CORE - CT Number</u>	Passed Through to <u>Subrecipients</u>	<u>Expenditures</u>
Department of Developmental Services:			
Community Residential Programs:			
Community Living Arrangements	12060-DDS50000-90678	\$ -	\$12,696,532
Continuous Residential Supports	12060-DDS50000-90678	-	5,525,725
Individualized Home Supports	12060-DDS50000-90678	-	1,628,524
Community Training Home	12060-DDS50000-90678	-	88,601
American Rescue Plan Act (ARPA)	12060-DDS50000-90678	-	<u>1,290,247</u>
Subtotal		<u>-</u>	<u>21,229,629</u>
Employment Opportunities and Day Services:			
Day Support Options	11000-DDS50000-16108	-	6,505,561
Group Supported Employment	11000-DDS50000-16108	-	949,933
Individual Supported Employment	11000-DDS50000-16108	-	64,408
American Rescue Plan Act (ARPA)	11000-DDS50000-16108	-	<u>486,353</u>
Subtotal		<u>-</u>	<u>8,006,255</u>
Total Department of Developmental Services		<u>-</u>	<u>29,235,884</u>
Department of Mental Health and Addiction Services:			
Mental Health Service Grants	11000-MHA53000-16053	-	37,957
Employment Opportunities	11000-MHA53000-16070	-	644,777
Young Adult Services	11000-MHA53000-12250	-	2,481,236
Discharge and Diversion Services	11000-MHA53000-12330	-	285,281
Grants for Substance Use Services	11000-MHA53000-16003	-	<u>88,215</u>
Total Department of Mental Health and Addiction Services		<u>-</u>	<u>3,537,466</u>
Department of Children and Families:			
Child Welfare Support Services:			
Work/Learn Program New Haven	11000-DCF91100-16120	-	279,988
Work/Learn Program Waterbury	11000-DCF91100-16120	-	<u>275,258</u>
Total Department of Children and Families		<u>-</u>	<u>555,246</u>
Department of Emergency Services and Public Protection:			
Nonprofit Organization Security Infrastructure Competitive Grant Program	12052-DPS32900-43758	<u>-</u>	<u>50,000</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$33,378,596</u>

See notes to schedule.

MARRAKECH, INC.

Notes to Schedule of Expenditures of State Financial Assistance

For the fiscal year ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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, 2023. 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. Because the schedule presents only a selected portion of the operations of Marrakech, Inc., Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc., it is not intended and does not present the financial position, changes in fund balance, changes in net position, or cash flows of Marrakech, Inc., Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc.

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 nonprofit 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 presented on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State of Connecticut 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 \$1,995,110 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, 2023. 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:		
Residential Services	12060-DDS50000-90678	\$800,349
American Rescue Plan Act (ARPA) of 2022	12060-DDS50000-90678	63,111
Employment Opportunities and Day Services	11000-DDS50000-16108	45,307
American Rescue Plan Act (ARPA) of 2022	11000-DDS50000-16108	<u>5,660</u>
Total		<u>\$914,427</u>

MARRAKECH, INC.

Notes to Schedule of Expenditures of State Financial Assistance, Continued

For the fiscal year ended June 30, 2023

NOTE 4 – LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State of Connecticut Single Audit Act, the notes to 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, 2023:

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, 2022</u>	<u>Paid</u>	<u>Balance at June 30, 2023</u>
Revolving loans payable:						
Kreger Drive	02/05/16	6.00%	\$ 24,461	\$ 10,702	\$2,690	\$ 8,012
Cortina Road	02/05/16	6.00%	8,200	3,588	902	2,686
Stevenson Road	02/05/16	6.00%	10,100	4,419	1,111	3,308
Cortina Road	02/05/16	6.00%	17,576	12,005	1,089	10,916
Anton Circle	02/05/16	6.00%	10,817	4,733	1,190	3,543
Knollwood Drive	02/05/16	6.00%	6,156	1	1	-
Kreger Drive	06/06/17	6.00%	27,200	20,674	1,556	19,118
Kreger Drive	06/06/17	6.00%	27,800	23,357	1,016	22,341
Kreger Drive	06/06/17	6.00%	25,300	19,463	1,433	18,030
Stevenson Road	08/18/17	6.00%	39,200	13,929	6,205	7,724
Stevenson Road	08/18/17	6.00%	20,000	17,096	713	16,383
Talmadge Hill Road	08/18/17	6.00%	60,000	46,158	3,399	42,759
Talmadge Hill Road	08/18/17	6.00%	15,675	9,258	1,576	7,682
Talmadge Hill Road	08/18/17	6.00%	52,724	41,279	2,942	38,337
Mortgages payable:						
Kreger Drive	12/01/08	6.00%	239,373	177,578	6,822	170,756
Talmadge Hill Road	06/19/14	6.00%	15,923	3,989	1,935	2,054

MARRAKECH, INC.

Schedule of Findings and Questioned Costs

For the fiscal year ended June 30, 2023

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 of Connecticut 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 Residential Programs:		
Community Living Arrangements	12060-DDS50000-90678	\$12,696,532
Continuous Residential Supports	12060-DDS50000-90678	5,525,725
Individualized Home Supports	12060-DDS50000-90678	1,628,524
Community Training Home	12060-DDS50000-90678	88,601
American Rescue Plan Act (ARPA)	12060-DDS50000-90678	<u>1,290,247</u>
Total Department of Developmental Services		<u>21,229,629</u>
Department of Children and Families:		
Child Welfare Support Services:		
Work/Learn Program New Haven	11000-DCF91100-16120	279,988
Work/Learn Program Waterbury	11000-DCF91100-16120	<u>275,258</u>
Total Department of Children and Families		<u>555,246</u>

Dollar threshold used to distinguish between type A and type B programs: \$667,572

2. FINANCIAL STATEMENT FINDINGS

No matters were reported.

3. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.