

MARRAKECH, INC.

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

June 30, 2024 and 2023

MARRAKECH, INC.

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Marrakech, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Marrakech, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marrakech, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Marrakech, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Marrakech, Inc. adopted new accounting guidance, Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective July 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated supporting schedule of operating revenue (Schedule 1) is presented for purposes of additional analysis and is not a required part of the 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025 on our consideration of Marrakech Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marrakech Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marrakech Inc.'s internal control over financial reporting and compliance.

Guilmina F. DiPiro & Sokolowski LLC

Middletown, Connecticut
February 28, 2025

MARRAKECH, INC.

Consolidated Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 5,791,377	\$ 4,957,330
Accounts receivable, net	1,386,999	1,055,601
Prepaid expenses	562,779	406,388
Total current assets	<u>7,741,155</u>	<u>6,419,319</u>
Property and equipment, net	<u>9,201,777</u>	<u>9,516,224</u>
Other assets:		
Right-of-use (ROU) assets - operating, net	225,737	405,025
Board designated endowment	177,319	136,447
Investments	897,546	-
Other assets	22,442	31,553
Total other assets	<u>1,323,044</u>	<u>573,025</u>
Total assets	<u>\$ 18,265,976</u>	<u>\$ 16,508,568</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 503,105	\$ 581,733
Accrued liabilities	3,683,402	3,250,146
Current portion of lease liabilities - operating	157,380	178,642
Due to grantors	418,204	475,833
Deferred revenue	42,903	67,152
Refundable advances	2,274,666	973,974
Current portion of mortgages and loans payable	386,018	343,627
Total current liabilities	<u>7,465,678</u>	<u>5,871,107</u>
Long-term liabilities:		
Mortgages payable, less current portion	2,367,514	2,557,494
Loans payable, less current portion	613,435	654,413
Lease liabilities - operating, less current portion	73,235	230,615
DDS cash advances	545,429	545,429
Total long-term liabilities	<u>3,599,613</u>	<u>3,987,951</u>
Total liabilities	<u>11,065,291</u>	<u>9,859,058</u>
Net assets:		
Without donor restrictions:		
Undesignated	6,963,312	6,451,373
Board designated	177,319	136,447
Total without donor restrictions	<u>7,140,631</u>	<u>6,587,820</u>
With donor restrictions:		
Restricted donations	60,054	61,690
Total with donor restrictions	<u>60,054</u>	<u>61,690</u>
Total net assets	<u>7,200,685</u>	<u>6,649,510</u>
Total liabilities and net assets	<u>\$ 18,265,976</u>	<u>\$ 16,508,568</u>

See accompanying notes to consolidated financial statements.

MARRAKECH, INC.

Consolidated Statements of Activities

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Changes in Net Assets Without Donor Restrictions</u>		
Operating revenue and other support:		
Operating revenue (Schedule 1)	\$ 43,458,599	\$ 41,782,622
Donations and fundraising	322,929	307,521
In-kind donation of rental space	99,000	99,000
Net investment returns	123,248	12,329
Net assets released from restrictions	<u>26,021</u>	<u>22,772</u>
Total operating revenue and other support	<u>44,029,797</u>	<u>42,224,244</u>
Operating expenses:		
Program services:		
Residential services	24,109,475	23,125,300
In home support services	1,709,691	1,610,414
Day services	6,732,181	6,415,622
Mental health services	3,425,144	3,617,349
Housing services	1,010,730	1,088,181
Other programs' services	<u>1,838,961</u>	<u>1,800,868</u>
Total program services	<u>38,826,182</u>	<u>37,657,734</u>
Supporting services:		
Administrative and general	4,328,015	4,054,793
Fundraising expenses	<u>322,789</u>	<u>320,426</u>
Total supporting services	<u>4,650,804</u>	<u>4,375,219</u>
Total operating expenses	<u>43,476,986</u>	<u>42,032,953</u>
Change in net assets without donor restrictions from operations	<u>552,811</u>	<u>191,291</u>
Net assets without donor restrictions, beginning of year	<u>6,587,820</u>	<u>6,396,529</u>
Net assets without donor restrictions, end of year	<u>\$ 7,140,631</u>	<u>\$ 6,587,820</u>
<u>Changes in Net Assets With Donor Restrictions</u>		
Donations	\$ 24,385	\$ 25,700
Net assets released from donor restrictions	<u>(26,021)</u>	<u>(22,772)</u>
Change in net assets with donor restrictions	(1,636)	2,928
Net assets with donor restrictions, beginning of year	<u>61,690</u>	<u>58,762</u>
Net assets with donor restrictions, end of year	<u>\$ 60,054</u>	<u>\$ 61,690</u>
Total change in net assets	<u>\$ 551,175</u>	<u>\$ 194,219</u>

See accompanying notes to consolidated financial statements.

MARRAKECH, INC.

Consolidated Statement of Functional Expenses

For the year ended June 30, 2024
(with comparative totals for June 30, 2023)

	Program Services						Supporting Services		2024 Total	2023 Total	
	Residential Services	In Home Support Services	Day Services	Mental Health Services	Housing Services	Other Programs' Services	Total Program Services	Administrative and General			Fundraising Expenses
Salaries and wages	\$ 16,015,093	\$ 1,327,664	\$ 4,683,418	\$ 2,325,096	\$ 7,301	\$ 808,336	\$ 25,166,908	\$ 2,711,109	\$ 107,160	\$ 27,985,177	\$ 27,021,705
Fringe benefits/payroll taxes	3,617,560	307,915	1,108,844	536,756	1,094	309,644	5,881,813	703,128	25,061	6,610,002	6,512,741
Total employee compensation	19,632,653	1,635,579	5,792,262	2,861,852	8,395	1,117,980	31,048,721	3,414,237	132,221	34,595,179	33,534,446
Motor vehicle	480,198	33,694	413,893	91,808	64,559	66,542	1,150,694	192,429	838	1,343,961	1,222,719
Subcontract nurse/temporary help	1,161,601	2,739	53,752	13,828	-	50	1,231,970	23,231	-	1,255,201	1,171,144
Food and household supplies	451,543	1,703	8,367	65,590	3,110	12,278	542,591	6,101	2,636	551,328	589,676
Depreciation and amortization	302,344	-	97,715	38,395	288,497	180,271	907,222	64,758	47,587	1,019,567	1,064,069
Maintenance	373,897	2,559	4,116	17,460	130,278	65,187	593,497	7,463	49	601,009	535,152
Telephone and utilities	630,969	5,411	7,518	102,595	165,126	111,948	1,023,567	25,618	488	1,049,673	878,697
Property taxes	17,964	-	-	-	1,304	34,141	53,409	-	-	53,409	61,224
Interest	10,209	-	8,484	1,495	149,398	17,595	187,181	1,758	-	188,939	193,135
Insurance	176,290	10,547	39,247	19,058	49,308	41,765	336,215	55,080	837	392,132	346,136
Program supplies	213,881	1,799	18,389	84,724	317	63,174	382,284	17,081	12,690	412,055	417,209
Recreation	23,626	1,499	467	6,225	-	2,812	34,629	-	-	34,629	31,009
Dues, fees and licenses	221,508	1,891	34,857	1,005	835	1,109	261,205	41,371	-	302,576	173,140
Rent	175,774	18	2,250	37,069	146,016	37,403	398,530	8,533	77	407,140	426,573
Equipment	5,110	375	3,131	749	-	1,299	10,664	3,544	-	14,208	16,807
Professional fees	11,358	-	403	-	2,119	8,749	22,629	126,421	-	149,050	143,083
Office supplies	173,381	2,938	5,420	57,133	1,468	20,933	261,273	239,162	16,788	517,223	587,576
Training, hiring and recruiting	13,107	1,176	235,060	16,428	-	24,304	290,075	96,187	9,627	395,889	448,101
Miscellaneous expenses	34,062	7,763	6,850	9,730	-	31,421	89,826	5,041	98,951	193,818	193,057
Total functional expenses	\$ 24,109,475	\$ 1,709,691	\$ 6,732,181	\$ 3,425,144	\$ 1,010,730	\$ 1,838,961	\$ 38,826,182	\$ 4,328,015	\$ 322,789	\$ 43,476,986	\$ 42,032,953

See accompanying notes to consolidated financial statements.

MARRAKECH, INC.

Consolidated Statement of Functional Expenses

For the year ended June 30, 2023

	Program Services						Supporting Services			
	Residential Services	In Home Support Services	Day Services	Mental Health Services	Housing Services	Other Programs' Services	Total Program Services	Administrative and General	Fundraising Expenses	Total
Salaries and wages	\$ 15,438,732	\$ 1,231,562	\$ 4,528,811	\$ 2,413,866	\$ 4,611	\$ 869,904	\$ 24,487,486	\$ 2,433,872	\$ 100,347	\$ 27,021,705
Fringe benefits/payroll taxes	3,577,495	310,354	1,113,972	575,672	954	270,173	5,848,620	639,231	24,890	6,512,741
Total employee compensation	19,016,227	1,541,916	5,642,783	2,989,538	5,565	1,140,077	30,336,106	3,073,103	125,237	33,534,446
Motor vehicle	483,364	31,581	384,293	85,960	35,274	38,376	1,058,848	163,374	497	1,222,719
Subcontract nurse/temporary help	1,033,826	4,069	42,992	27,981	-	-	1,108,868	62,276	-	1,171,144
Food and household supplies	424,045	2,227	5,259	142,099	4,670	4,949	583,249	5,168	1,259	589,676
Depreciation and amortization	360,923	-	96,630	25,285	279,236	184,343	946,417	70,065	47,587	1,064,069
Maintenance	303,691	2,008	3,235	30,355	116,584	64,997	520,870	7,129	7,153	535,152
Telephone and utilities	441,524	4,674	13,879	93,386	190,550	105,631	849,644	28,715	338	878,697
Property taxes	17,615	-	-	-	10,560	33,049	61,224	-	-	61,224
Interest	8,719	-	1,295	1,202	160,878	18,752	190,846	2,289	-	193,135
Insurance	155,458	9,558	35,495	23,994	39,914	39,341	303,760	41,625	751	346,136
Program supplies	241,496	3,299	21,577	66,346	348	68,613	401,679	10,282	5,248	417,209
Recreation	17,777	679	437	11,089	-	729	30,711	298	-	31,009
Dues, fees and licenses	128,617	884	591	846	230	3,411	134,579	38,008	553	173,140
Rent	103,295	13	2,376	37,287	243,049	32,278	418,298	8,275	-	426,573
Equipment	1,768	-	609	2,448	-	8,414	13,239	3,568	-	16,807
Professional fees	-	-	-	-	-	2,450	2,450	140,633	-	143,083
Office supplies	259,306	3,622	8,159	51,692	1,323	20,902	345,004	222,644	19,928	587,576
Training, hiring and recruiting	73,425	2,584	158,100	23,483	-	12,627	270,219	172,198	5,684	448,101
Miscellaneous expenses	54,224	3,300	(2,088)	4,358	-	21,929	81,723	5,143	106,191	193,057
Total functional expenses	\$ 23,125,300	\$ 1,610,414	\$ 6,415,622	\$ 3,617,349	\$ 1,088,181	\$ 1,800,868	\$ 37,657,734	\$ 4,054,793	\$ 320,426	\$ 42,032,953

See accompanying notes to consolidated financial statements.

MARRAKECH, INC.

Consolidated Statements of Cash Flows

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>551,175</u>	\$ <u>194,219</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,019,567	1,064,069
Amortization of right-of-use (ROU) assets - operating	179,288	174,324
Unrealized (gain) on investments	(5,446)	(12,223)
(Gain) on disposal of property and equipment	(45,609)	(65,131)
(Increase) in accounts receivable	(331,398)	(268,943)
(Increase) decrease in prepaid expenses	(156,391)	435,050
Decrease (increase) in other assets	9,111	(3,088)
(Decrease) increase in accounts payable	(78,628)	160,485
Increase in accrued liabilities	433,256	928,912
(Decrease) increase in due to grantors	(57,629)	9,981
(Decrease) increase in deferred revenue	(24,249)	16,661
Increase (decrease) in refundable advances	1,300,692	(809,603)
(Decrease) in operating lease liabilities	(178,642)	(170,092)
(Decrease) in DDS cash advances	-	(53,617)
Total adjustments	<u>2,063,922</u>	<u>1,406,785</u>
Net cash provided by operating activities	<u>2,615,097</u>	<u>1,601,004</u>
Cash flows from investing activities:		
Purchases of investments	(932,972)	(16,390)
Purchases of property and equipment	(705,120)	(1,137,187)
Proceeds from disposal of property and equipment	<u>45,609</u>	<u>76,796</u>
Net cash (used in) investing activities	<u>(1,592,483)</u>	<u>(1,076,781)</u>
Cash flows from financing activities:		
Proceeds of loans	209,332	188,001
Principal payments on mortgages and loans	<u>(397,899)</u>	<u>(448,359)</u>
Net cash (used in) financing activities	<u>(188,567)</u>	<u>(260,358)</u>
Net increase in cash and cash equivalents	834,047	263,865
Cash and cash equivalents, beginning of year	<u>4,957,330</u>	<u>4,693,465</u>
Cash and cash equivalents, end of year	<u>\$ 5,791,377</u>	<u>\$ 4,957,330</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 188,939</u>	<u>\$ 193,135</u>
Non-cash transactions:		
In-kind donation of rental space	<u>\$ 99,000</u>	<u>\$ 99,000</u>

See accompanying notes to consolidated financial statements.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

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

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

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

Summary of Significant Accounting Policies:

Principles of Consolidation

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

Basis of Accounting and Presentation

The accounts of the Organization are maintained, and the consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets:

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

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any donor imposed restricted net assets that are perpetual in nature as of June 30, 2024 and 2023.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Recent Accounting Guidance

ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The ASU was amended in some respects by subsequent ASUs (collectively, Accounting Standards Codification 326 (ASC 326)). CECL requires an estimate of credit losses for the remaining estimated life of most financial assets measured at amortized cost using historical experience, current conditions, and reasonable and supportable forecasts. Applicable financial assets will be presented at the net amount expected to be collected using an allowance for credit losses. The standard is effective for fiscal years beginning after December 15, 2022 and requires a modified retrospective approach with a cumulative effect adjustment to beginning net assets, as applicable, made as of the date of adoption.

The Organization adopted the standard on July 1, 2023. Consequently, financial information prior to the adoption date has not been updated and disclosures required under the new standard are not provided for periods prior to July 1, 2023. The standard primarily impacts the Organization's programmatic room and board service receivables funded by the State of Connecticut Department of Development Services (DDS) and Department of Social Services (DSS), as well as the Organization's DDS-funded fee-for-service receivables related to its community-based residential programs. No cumulative effect adjustment was required as of the date of adoption. The Organization's allowance policies in Note 1 were enhanced as a result of the adoption of the standard. See Note 2 for further disclosure of the Organization's receivable balances.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. The Organization had \$301,893 of cash equivalents and no restricted cash as of June 30, 2024. The Organization had no cash equivalents nor restricted cash as of June 30, 2023.

Grants, Contracts, and Other Receivables

The Organization has receivables related to grants and reimbursements through various funders, primarily including the State of Connecticut Department of Development Services (DDS), as well as additional funders that provide specific programmatic support. Based on historical experience, grants and contracts funded on a reimbursement-basis are considered fully collectable. Management performs an assessment of collectability related to such receivables and will write off receivables after all attempts at collection are exhausted. When appropriate, management maintains an allowance for doubtful accounts, which is based on a review of significant delinquent balances, historical experience, an assessment of economic conditions and a review of subsequent collections. Based on management's assessment of outstanding balances, it has concluded that realization losses at year-end will be immaterial. There was no allowance for doubtful accounts related to grants, contracts and other receivables as of June 30, 2024 and 2023.

Room and Board and Fee-for-Service Receivables and Related Allowance for Credit Losses

The Organization has receivables from: 1) Room and board receivables related to its Community Living Arrangements (CLAs), Intermediate Care Facilities (ICFs), and other similar supporting housing arrangements, which are primarily funded through agreements with DSS, and 2) Fee-for-service receivables, which fund community-based residential programs and are primarily funded by DDS through Vendor Service Authorizations (VSA) and processed by a fiscal intermediary.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Room and Board and Fee-for-Service Receivables and Related Allowance for Credit Losses, continued

For the year ended June 30, 2023, the Organization utilized an incurred loss model under previously applicable GAAP for estimating uncollectable amounts, which included an assessment of collectability based on a review of significant delinquent balances, historical experience, and a review of subsequent collections. When appropriate, management determined an allowance for doubtful accounts and wrote off receivables after all attempts at collection were exhausted.

As of July 1, 2023, the Organization accounts for doubtful balances under the new CECL model. The Organization estimates an allowance for expected credit losses calculated on a pooled basis where similar risk characteristics exist. Receivables are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectable. Management has identified two material receivable pools that are analyzed separately for allowance purposes, due to the unique nature of underlying services and separately identifiable funding arrangements: 1) Room and board receivables related to its Community Living Arrangements (CLAs), Intermediate Care Facilities (ICFs), and other similar supporting housing arrangements, and 2) Fee-for-service receivables, which fund community-based residential programs. At each reporting period, the allowance is updated to reflect any changes in credit risk since the related receivable was initially recorded. In general, the allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables and is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization.

For the year ended June 30, 2024, the allowance for expected credit losses is first based on historical loss rates, based on a three-year average, applied to all noncurrent aging categories for both identified pools. Management has determined that its analysis of current conditions did not have a material impact on the allowance estimate for either pool. Finally, management's consideration of future events or conditions resulted in a 20% increase in the historical allowance related to room and board receivables based on an analysis of program users and the potential for deterioration in circumstances that could result in uncollectable balances. Management did not identify any future events or conditions that were considered impactful to fee-for-service receivables.

See Note 2 for further disclosure of the Organization's allowance for credit losses on the receivable pools.

Property and Equipment

The Organization follows the practice of capitalizing all property and equipment with a cost exceeding \$5,000 or if donated, at fair value on the date of donation. Prior to the fiscal year ended June 30, 2024, the Organization's policy capitalized all property and equipment with a cost exceeding \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 30 years, or in the case of financed leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposal. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Organization has determined that there was no impairment of long-lived assets as of June 30, 2024 and 2023.

Investments and Board Designated Endowment

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Therefore, investments are reported at their fair values in the consolidated statements of financial position. Investment returns are reported net of expenses, which totaled \$11,446 and \$11,426 for the years ended June 30, 2024 and 2023, respectively.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Investments and Board Designated Endowment, continued

As part of its investments, the Organization maintains funds in a pooled investment account administered by The Community Foundation of Greater New Haven, Inc. (the Foundation). The funds maintained by the Foundation represent the Organization's board designated endowment. The agreement with the Foundation provides that the Organization may receive distributions from the account on a quarterly, semi-annual or annual schedule at a percentage or set dollar amount of the fair market value of the fund as of the prior fiscal year end date for the coming fiscal year. Alternatively, the Organization may elect to receive regular distributions in accordance with the Foundation's Spending Rule Policy. The Organization may request that additional funds be distributed subject to up to 60 days prior written notice to the Foundation, depending on the amount of additional funds requested. As of June 30, 2024, the Organization has elected to not receive any distributions for the fiscal years ended June 30, 2024 and 2023. The Organization has delegated to the Foundation full authority to determine the asset allocation and to specify the investment managers of the Organization's investment.

Refundable Advances and Due to Grantor

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

During 2022, the State of Connecticut passed legislation to allow nonprofit providers, upon application to the state grantor agency, to retain any contract surplus from a purchase of service contract and apply it to costs of their services in the providers' subsequent fiscal year as a refundable advance. Any surpluses that are not applied for retainage or otherwise available to carryover are due back to the grantor. Failure to fulfill the conditions of amounts allowed as refundable advances could result in the return of funds to the grantors. As of the fiscal years ended June 30, 2024 and 2023, the Organization has recorded refundable advances of \$2,274,666 and \$973,974, respectively, and funds due back to grantors of \$418,204 and \$475,833, respectively. The Organization has included their fiscal year 2021 audit settlement of Medicaid billing with the Department of Social Services, that is being paid over time on an installment basis, in due to grantors in each year. See also Note 6.

Deferred Revenue

Contract liabilities generally include program fees collected prior to when the Organization transfers services and represent the Organization's obligation to program users. The Organization refers to contract liabilities as deferred revenue on the consolidated statements of financial position.

Revenue and Revenue Recognition

Contributions

The Organization receives contributions in the form of promises to give (pledges), donations and other gifts. These contributions can be from individuals, foundations, corporations, trusts or others. The Organization recognizes contributions when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived by the donor. At June 30, 2024 and 2023, the Organization has received no conditional promises to give.

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

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Contributions, continued

Contributed (in-kind) services and nonfinancial assets are recorded as contributions at their estimated fair values at the date of donation. Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Organization's mission and fundraising activities. Contributed nonfinancial assets include donated equipment and other items. It is the Organization's policy to consume and use donated goods and other assets in accordance with donor wishes. The Organization does not sell contributed nonfinancial assets. See Note 13 for additional information regarding the in-kind contributions recognized by the Organization in the consolidated statements of activities.

Government Grants and Contracts

The Organization is the recipient of federal, state and private grants to fund its primary programs. The Organization's grant funding from the State of Connecticut Department of Developmental Services (DDS), Department of Mental Health and Addiction Services (DMHAS), Department of Children and Families (DCF) and Department of Aging and Disability Services Career Connect programs (DADS) are accounted for consistently as conditional contributions. Grants are not recognized until the conditions on which they depend have been substantially met. Such grants are conditioned upon the incurrence of allowable qualifying expenses and are recorded as revenue when the related approved expenditures are made. At June 30, 2024 and 2023, conditional reimbursement-basis grants of \$1,826,415 and \$28,026,676, respectively, have not been recognized in the accompanying consolidated financial statements because qualifying expenditures have not yet been incurred. The Organization's contracts with DDS and DMHAS ended on June 30, 2024 and new contracts were executed in June 2024. The new contracts for both DDS and DMHAS are effective from July 1, 2024 through June 30, 2027 and have maximum contract amounts of \$101,924,606 and \$10,734,757, respectively.

The Organization is also party to contracts that provide funding for programming. Funding from such contracts, including those for room and board with the individual residents who receive funding through the State of Connecticut Department of Social Services (DSS), is based on contractually-identified performed obligations that include the nature and timing of services required in an exchange-type transaction. The Organization recognizes revenue over time as performance obligations are satisfied, which primarily includes the provision of room and board over the course of the year, based on contractual rates. The revenue is recognized at the amount reflecting the consideration the Organization expects to receive in exchange for the services provided.

The Organization received American Rescue Plan Act (ARPA) Home and Community Based Services (HCBS) funding during the years ended June 30, 2024 and 2023, which was provided by the State of Connecticut Department of Developmental Services (DDS). The funding provides for three initiatives: 1) Temporary provider stabilization (category 1), 2) Workforce stability incentives (category 2), and 3) Stability and infrastructure improvements through technology (category 3). The State has established expenditure deadlines, by category, for providers to adhere to and DDS will recover any funds not expended by the established deadlines. For the years ended June 30, 2024 and 2023, the Organization spent \$1,148,961 and \$1,845,371 in ARPA HCBS funding and has recorded \$138,079 and \$272,015 as a refundable advance, which represents the unspent funds as of the end of the fiscal years. The \$1,148,961 and \$1,845,371 ARPA revenue recognized is included in grants revenue on the consolidated supporting schedule of operating revenue for the fiscal years ended June 30, 2024 and 2023, respectively.

During the year ended June 30, 2024, The Organization received \$465,916 in Federal ARPA one-time provider stabilization funding from DDS, through a beneficiary agreement. The funding was to be used to offset economic hardship caused by COVID-19 and stabilize the network for services moving forward. The Organization qualified for the funding upon demonstrating ongoing losses during the period in which the funding covered. The \$465,916 is included in DDS revenues on the consolidated statement of activities for the year ended June 30, 2024.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Special Events

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

Individual Contracts/Private Pay Services/LEA Funded Services

The Organization recognizes revenue from individual contracts among many programs including a broad array of service to individuals who have acquired brain injuries (ABI) so they may lead productive lives in the community by providing assistance with housing and in-home support, employment and case management; vocational rehabilitation services providing assistance to youth and adults with disabilities to enter or re-enter the workplace through their collaboration with the Bureau of Rehabilitative Services (BRS).

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

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

The Organization offers workforce training under their Human Service Training Programs (HSTP), which is contractually funded by other agencies and which provide programs to train individuals to become direct support professionals for individuals with disabilities in residential and community experience programs, job coaches for community based worksites and support staff in behavioral health services.

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

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

Endowment and Spending Policy

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

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Endowment and Spending Policy, continued

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

Leases

As Lessee

The Organization determines if an arrangement is or contains a lease at inception. Lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. All leases are accounted for as right-of-use (ROU) assets and lease liabilities in the consolidated statements of financial position, with the exception of leases with an initial term of 12 months or less. Management has elected to account for lease payments for such short term leases as lease expense on a straight-line basis over the lease term. Management only reassesses its determination of a lease contract if the terms and conditions of the contract are changed.

Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The Organization uses the implicit rate when it is readily available to discount future lease payments; however, when unavailable, the Organization uses a risk-free based on readily available information at lease commencement. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease ROU assets and related lease liabilities are separately stated on the consolidated statements of financial position. Finance lease ROU assets are included in property and equipment, net and related lease liabilities are included in long-term lease liabilities on the consolidated statements of financial position. When lease agreements provide for the separate identification of lease and non-lease components, such components are accounted for separately using stand-alone prices; however, when non-lease components are not separately identifiable, the Organization accounts for the lease and non-lease components as a single lease.

Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease expense includes amortization of the ROU asset on a straight-line basis, and interest on the lease liabilities using the Organization's applied discount rate. All of the Organization's operating leases utilize a risk-free rate. See Note 14 for more information on the Organization's leasing arrangements.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising expenses totaled \$10,843 and \$19,996 for the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses

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

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Functional Allocation of Expenses, continued

allocated based on the percentage of individual program costs to the total with consideration given to the relative benefit derived from certain categories of administrative expense by various program groups. The Organization reevaluates its allocation methods each year.

Fair Value Measurement

The Organization reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

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

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

Fixed income securities: Fixed income securities consists of US Treasury bills which are valued at the closing price reported in the over-the-counter market. The Organization had no fixed income securities during the fiscal year ended June 30, 2023.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Fair Value Measurement, continued

There have been no changes in the methodology used at June 30, 2024 or 2023. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date. See Note 3 for more information on the Organization's assets measured at fair value.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from business activities unrelated to the charitable mission. The Organization has unrelated debt financed rental income, which is subject to tax on unrelated business activity. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for June 30, 2024, 2023 and 2022 are subject to examination by the IRS, generally for three years after they were filed. The Organization's tax liabilities for unrelated business activities are immaterial to their business operations.

Concentrations

Financial Instruments

The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federal depository insurance limits. To date, the Organization has not experienced losses in any of these accounts. At June 30, 2024, the cash balance exceeded the federally insured limit by \$5,189,185.

Revenue and Grants Receivable

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

The following table shows the Organization's highest concentrations of revenues and receivables from these grants and contracts for the years ended June 30, 2024 and 2023:

	2024	
	<u>Revenue</u>	<u>Percentage of Total Receivable</u>
Department of Developmental Services (DDS)	70%	34%
Department of Social Services (DSS)	11%	28%
Department of Mental Health and Addiction Services (DMHAS)	<u>8%</u>	<u>1%</u>
	<u>89%</u>	<u>63%</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Revenue and Grants Receivable, continued

	2023	
	<u>Revenue</u>	<u>Percentage of Total Receivable</u>
Department of Developmental Services (DDS)	72%	30%
Department of Social Services (DSS)	11%	34%
Department of Mental Health and Addiction Services (DMHAS)	<u>9%</u>	<u>0%</u>
	<u>92%</u>	<u>64%</u>

Compensated Absences

The Organization accrues for the costs of compensated absences to the extent that the employee's right to receive payment relates to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. The Organization's policies related to compensated absences vary by the employees' hire date and full-time or part-time status, and includes a maximum allowable carryover provision.

Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the disclosures and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Reclassifications

Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the current presentation. The reclassifications had no impact on previously reported net assets.

Evaluation of Subsequent Events

Subsequent events have been evaluated through the audit report date, the date the consolidated financial statements were available to be issued.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 2 – ACCOUNTS RECEIVABLE, DDS BRIDGE FUNDING ADVANCES, AND ALLOWANCE FOR CREDIT LOSSES

Receivables

Marrakech Housing Options, Inc. retains bridge funding advances from DDS to fund the cash flow requirements of the Organization's DDS programs in the amount of \$1,995,110 as of June 30, 2024 and 2023. As shown below, these advances are offset against DDS accounts receivable on the accompanying consolidated statements of financial position.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
DDS accounts receivable	\$ 2,461,699	\$ 2,316,756	\$ 2,005,402
Less: DDS advance	<u>(1,995,110)</u>	<u>(1,995,110)</u>	<u>(1,995,110)</u>
Net DDS receivable	466,589	321,646	10,292
Room and board receivables	385,682	363,860	319,569
Other receivables	717,282	528,834	590,536
Less: allowance for credit losses	<u>(182,554)</u>	<u>(158,739)</u>	<u>(133,739)</u>
Accounts receivable, net	<u>\$ 1,386,999</u>	<u>\$ 1,055,601</u>	<u>\$ 786,658</u>

Included in the DDS accounts receivable are amounts due under a fee-for-service arrangement with DDS related to community-based residential programs in the amounts of \$309,201, \$84,232, and \$59,447 as of June 30, 2024, 2023, and 2022, respectively. The increase in such receivables as of June 30, 2024 was due to a transition of the fiscal intermediary near year-end causing lags in payment processing.

The Organization had received early payments from DDS prior to their fiscal years ended June 30, 2024 and 2023 towards its grant contract in each year. This accounts for the majority of the reduction in the Organization's approximate usual year-end receivable balance as shown in the Organization's fiscal year ended June 30, 2022.

Allowance for Credit Losses

The allowance for credit losses for receivables on a pooled basis and the related activity are as follows for the year ended June 30, 2024:

	Room and Board Receivable <u>Allowance</u>	Fee-for-Service Receivable <u>Allowance</u>	Total <u>Allowance</u>
Beginning balance	\$128,899	\$ 29,840	\$158,739
Provision for credit losses	77,317	3,502	80,819
Write-offs	(32,118)	(24,886)	(57,004)
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$174,098</u>	<u>\$ 8,456</u>	<u>\$182,554</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 3 – FAIR VALUE MEASUREMENT

The following tables present assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

Fair Value Measurements as of June 30, 2024:				
<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income securities	\$ 897,546	\$897,546	\$ -	\$ -
Pooled funds held by Community Foundation	<u>177,319</u>	<u>-</u>	<u>177,319</u>	<u>-</u>
Total assets at fair value	<u>\$1,074,865</u>	<u>\$897,546</u>	<u>\$177,319</u>	<u>\$ -</u>

Fair Value Measurements as of June 30, 2023:				
<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled funds held by Community Foundation	<u>\$136,447</u>	<u>\$ -</u>	<u>\$136,447</u>	<u>\$ -</u>
Total assets at fair value	<u>\$136,447</u>	<u>\$ -</u>	<u>\$136,447</u>	<u>\$ -</u>

NOTE 4 – ENDOWMENT

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

The Boards of Directors have interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds unless there are explicit donor stipulations to the contrary. At June 30, 2024 and 2023, there were no such donor stipulations.

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

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

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Endowment, continued

Board designated endowment net asset composition

The following table presents the composition of the Organization's net asset class as of June 30, 2024 and 2023.

<u>June 30, 2024</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board designated endowment funds	<u>\$177,319</u>	<u>\$ -</u>	<u>\$177,319</u>
Total funds	<u>\$177,319</u>	<u>\$ -</u>	<u>\$177,319</u>

<u>June 30, 2023</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board designated endowment funds	<u>\$136,447</u>	<u>\$ -</u>	<u>\$136,447</u>
Total funds	<u>\$136,447</u>	<u>\$ -</u>	<u>\$136,447</u>

Changes in board designated endowment net assets

The following tables represent the changes in the Organization's board designated endowment net assets for the years ended June 30, 2024 and 2023:

<u>Year ended June 30, 2024</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$136,447	\$ -	\$136,447
Investment return, net	10,922	-	10,922
Contributions	29,950	-	29,950
Appropriation of endowment assets pursuant to spending-rate policy	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$177,319</u>	<u>\$ -</u>	<u>\$177,319</u>

<u>Year ended June 30, 2023</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$107,834	\$ -	\$107,834
Investment return, net	10,487	-	10,487
Contributions	18,126	-	18,126
Appropriation of endowment assets pursuant to spending-rate policy	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$136,447</u>	<u>\$ -</u>	<u>\$136,447</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 1,056,893	\$ 1,264,838
Transportation equipment	3,658,901	4,503,535
Buildings, land and improvements	17,713,770	17,635,543
Construction in process	<u>148,868</u>	<u>7,450</u>
	22,578,432	23,411,366
Less: accumulated depreciation	<u>(13,376,655)</u>	<u>(13,895,142)</u>
Property and equipment, net	<u>\$ 9,201,777</u>	<u>\$ 9,516,224</u>

Depreciation and amortization expense was \$1,019,567 and \$1,064,069 for the years ended June 30, 2024 and 2023, respectively.

Construction in process at June 30, 2024 included costs incurred related to various renovations at certain properties throughout the Organization. Total costs incurred as of June 30, 2023 were \$7,450, which was transferred to building improvements during fiscal year 2024 as the assets were placed into service. Depreciation commenced when the assets were placed in service. The balance of \$148,868 as of June 30, 2024 consists of three renovations currently in progress.

NOTE 6 – REFUNDABLE ADVANCES AND DUE TO GRANTORS

Refundable advances and amounts due to grantors consist of the following as of June 30, 2024 and 2023:

<u>2024</u>		
	<u>Refundable advances</u>	<u>Due to grantors</u>
ARPA - DDS funding	\$ 138,079	\$ -
DDS - contract services	1,672,144	-
DCF - contract services	42,874	-
DMHAS - contract services	421,569	364,904
DSS - Medicaid installment settlement	<u>-</u>	<u>53,300</u>
Total	<u>\$ 2,274,666</u>	<u>\$418,204</u>
<u>2023</u>		
	<u>Refundable advances</u>	<u>Due to grantors</u>
ARPA - DDS funding	\$272,015	\$ -
ARPA - DSS funding	71,200	-
DDS - contract services	280,743	-
DCF - contract services	127,232	47,050
DMHAS - contract services	222,784	342,425
DSS - Medicaid installment settlement	-	85,280
DSS - overpayments for clients' services	<u>-</u>	<u>1,078</u>
Total	<u>\$973,974</u>	<u>\$475,833</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 7 – DDS CASH ADVANCES

When a facility commences operations, the Organization (Marrakech Housing Options, Inc.) may receive an operational advance equal to the service revenue for one month based on full capacity. These operational advances are applied against the final reimbursement when a facility ceases their agency relationship with DDS. Total operational advances as of the fiscal years ended June 30, 2024 and 2023 were \$545,429 in both years.

NOTE 8 – LONG-TERM DEBT

Mortgages and Loans

The Organization has mortgages and loans payable as of June 30, 2024 and 2023. Please see the consolidated schedule of debt obligations (Table 8.1) and their respective terms at the end of these footnotes.

NOTE 9 – LINES OF CREDIT AND CREDIT FACILITIES

Citizens Bank Lines of Credit

Revolving Line of Credit

Marrakech, Inc. has a revolving line of credit with Citizens Bank which expired on March 31, 2022 and was annually renewed through fiscal years ending June 30, 2024 and 2024. Advances on the line of credit are payable on demand and bear interest at a variable rate under the note agreement. The maximum amount which could be withdrawn under the agreement was \$2,500,000 through March 31, 2022, which was increased to \$3,000,000 upon the note renewals for fiscal years 2023 and 2024. The interest rate on the line as of June 30, 2024 and 2023 was 9.5% and 9.25%, respectively, and the balance due was \$0 in both years. The obligation has been guaranteed by each Organization and collateral for balances under the line of credit are all business assets of Marrakech, Inc.

Capex Projects/Leasehold Improvements Line

On June 7, 2024, Marrakech, Inc. entered into a business loan agreement (the agreement) to provide up to \$500,000 to the Organization for purchases of capital expense projects (Capex Projects) and leasehold improvements. Advances on the line are limited to 80% of the invoice cost of the capital expense projects or leasehold improvements exclusive of delivery and installation costs and taxes. The guarantors under the agreement are Marrakech Housing Options, Inc., Marrakech Day Services, Inc. and Marrakech Residential Services, Inc. Advances on the line may be made up to and including June 7, 2025 and the agreement expires when the loan is paid in full or until such time as the Organization and the bank agree to terminate the agreement. The interest rate on the line was 9.5% as of June 30, 2024 and no balance was due.

Newtown Savings Bank Revolving Credit Facility

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

As of June 30, 2024, the cumulative balance of prior term loans received under the agreement totaled \$289,322 and the balance available on the credit facility for additional vehicle and/or equipment purchases was \$710,678. The outstanding loans are included at their amortized balances within these footnotes in Table 8.1 - consolidated schedule of debt obligations.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Donor restricted:		
Donations to be used for emergency unfunded and/or underfunded program needs (Frank McCarthy Fund)	\$37,189	\$32,213
Donation for unbudgeted client transportation and/or client support (Enrica Pizzorusso Amore Quality of Life Fund)	5,166	7,477
Donations for specific client social events	2,000	-
Donations for specified property improvements	14,714	17,264
Donation for furniture for home in CLA program	<u>985</u>	<u>4,736</u>
Total net assets with donor restrictions	<u>\$60,054</u>	<u>\$61,690</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows, for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Emergency unfunded and/or underfunded program needs (Frank McCarthy Fund)	\$ 7,940	\$ 5,016
Renovation projects for certain properties	7,550	15,000
Furniture for Knollwood CLA group home	8,220	1,714
Funds for clients for social and entertainment events	2,311	444
Supplies for the Organization's community residential support program which are not funded under the program's purchase of service contract with the State of Connecticut (Robbie's Cause Fund)	<u>-</u>	<u>598</u>
Total	<u>\$26,021</u>	<u>\$22,772</u>

NOTE 11 – BOARD DESIGNATED NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Endowment	<u>\$177,319</u>	<u>\$136,447</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 12 – LIQUIDITY AND AVAILABILITY

The Organization manages its liquid resources by focusing on timely billing and collection of all receivables due. The Organization prepares budgets and monitors expenses. As part of their risk management program, the Organization maintains certain credit line facilities to assist in meeting short term cash needs related to capital projects and programs funded on a cost reimbursement basis or by fixed term financing. Refer to Note 9 for information on the Organization's lines of credit and credit facilities.

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$5,791,377	\$4,957,330
Accounts receivable, net	1,386,999	1,055,601
Less: restricted donations	<u>(60,054)</u>	<u>(61,690)</u>
	<u>\$7,118,322</u>	<u>\$5,951,241</u>

The board designated endowment investments in the amounts of \$177,319 and \$136,447 as of June 30, 2024 and 2023, respectively, are assets set aside for future needs and available only upon Board approval.

NOTE 13 – IN-KIND CONTRIBUTIONS

Donated Auction Items

The Organization held fundraising events during each fiscal year to raise money to further support their mission and programs. These events included silent and live auctions of nonfinancial assets donated by the public. The fair market values of the nonfinancial assets donated to the Organization and proceeds received upon the auctions, net of expenses were \$55,347 and \$36,092, respectively for the fiscal year ended June 30, 2024 and \$40,209 and \$31,867, respectively, for the fiscal year ended June 30, 2023. All proceeds received from the auctions are included in donations and fundraising on the Organization's consolidated statements of activities. The fair market value of other non-cash donations received by the Organization, which are not held for auction, are immaterial to these consolidated financial statements.

Donated Space

The Organization receives in-kind donations from the Department of Developmental Services (DDS) for rental space to operate three and four homes during the fiscal years ended June 30, 2024 and 2023, respectively, under their Community Living Arrangement programs (CLA's) with DDS at below fair market rent of \$1 per home per year. The Organization has recorded income for the in-kind donations of rent for these homes totaling \$99,000 for each of the fiscal years ended June 30, 2024 and 2023 on the Organization's consolidated statements of activities. The corresponding rent expense has been recorded each fiscal year on the Organization's consolidated statement of functional expenses and consolidated statements of activities under Residential Services as part of program services expenses. The donated space has been valued utilizing DDS' calculations of fair market rent for similar homes under DDS' programs which are owned by the Organization.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 14 – LEASES

As Lessee

The Organization maintains the following operating leasing arrangements:

Real Estate

The Organization leases various properties for use as administrative and programmatic space. Aggregate monthly rent payments range from \$1,925 to \$6,900 and the agreements include escalating rent amounts, adjusted annually. Lease terms range from month-to-month to terms expiring between August 2024 and June 2028.

Office Equipment

The Organization leases various office equipment under agreements expiring through April 2029. Aggregate monthly rent expense on ongoing leases is \$2,116.

The Organization presents the following balances related to its operating leases on its consolidated statement of financial position as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
ROU assets	\$ 579,349	\$ 579,349
Accumulated amortization	<u>(353,612)</u>	<u>(174,324)</u>
	<u>\$ 225,737</u>	<u>\$ 405,025</u>
Lease liabilities - current	\$ 157,380	\$ 178,642
Lease liabilities - non-current	<u>73,235</u>	<u>230,615</u>
	<u>\$ 230,615</u>	<u>\$ 409,257</u>

Lease costs during the year ended June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Operating leases:		
Operating lease costs - Real Estate	\$188,195	\$188,195
Short-term lease costs - Real Estate	98,929	96,425
Short-term lease costs - Office Equipment	<u>21,016</u>	<u>20,874</u>
Total lease costs	<u>\$308,140</u>	<u>\$305,494</u>

Total lease costs for the year ended June 30, 2024 and 2023 are included in rent expense in the consolidated statements of functional expenses.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Leases, continued

Cash paid for amounts included in the measurement of lease liabilities and other information for the year ended June 30, 2024 and 2023 include:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$187,549	\$183,963
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$579,349

Average lease terms and discount rates at June 30, 2024 and 2023 for the Organization's operating leases were as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (years)	1.40	2.30
Weighted average discount rate	2.85%	2.85%

Aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2024:

<u>Years Ending June 30,</u>	<u>Operating</u>
2025	\$161,464
2026	<u>73,646</u>
Total lease payments	235,110
Less: amount representing interest	<u>(4,495)</u>
Present value of lease liabilities	<u>\$230,615</u>

NOTE 15 – RETIREMENT PLAN

The Organization sponsors a 401(k) profit sharing plan covering all eligible employees and a 403(b) plan for certain executives. Eligible employees may contribute up to the maximum amounts allowed under the plan document and current Internal Revenue Service regulations upon hire. The Organization may, at times, make an employer sponsored contribution to the plan of which employees who have attained 18 years of age and completed at least 500 hours of service during the plan year are eligible to receive.

The Board authorized employer contributions of \$1,619,404 and \$1,621,276 for the fiscal years ended June 30, 2024 and 2023, respectively.

NOTE 16 – RELATED PARTY TRANSACTIONS

The Organization's President and Chief Executive Officer serves on the Board of Directors of the Workers Compensation Trust, an employer mutual association which provides a comprehensive workers' compensation insurance program to human service employers in the State of Connecticut as a cost-effective alternative to the traditional insurance market for healthcare and human service employers. The Organization has paid insurance premiums to the trust of \$755,731 and \$825,468 for the fiscal years ended June 30, 2024 and 2023, respectively, and has received rebates of \$143,797 and \$105,747 in each respective year.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

NOTE 17 – CONTINGENCIES

Litigation

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

Grant Funding for Acquisition of Properties

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

The State of Connecticut has liens on certain properties for the amounts of their respective grants which will terminate on various dates in accordance with the useful lives of the funded assets. The properties acquired and/or renovated by these state funds continue to be used for their designated purposes as of June 30, 2024.

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Table 8.1 - Consolidated Schedule of Debt Obligations

<u>Lender/Collateral</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity Date</u>	<u>2024</u>	<u>2023</u>
<u>Mortgages payable</u>					
CCO Mortgage Corporation 60 Plainfield Avenue, New Haven, Connecticut	8.25%	\$ 270	07/01/30	\$ 15,159	\$ 17,068
CCO Mortgage Corporation 615-617 Whalley Avenue, New Haven, Connecticut	8.25%	338	08/01/30	19,362	21,715
CCO Mortgage Corporation 106-108 Hobart Street, New Haven, Connecticut	6.50%	484	09/01/31	33,173	36,694
CCO Mortgage Corporation 158R Meetinghouse Hill Road, Durham, Connecticut	5.50%	1,416	03/01/36	146,003	154,696
CCO Mortgage Corporation 27-29 Robbins Street, Waterbury, Connecticut	5.63%	1,151	05/01/36	119,181	126,081
CCO Mortgage Corporation 85 Talmadge Hill Road, Prospect, Connecticut	5.88%	2,395	08/01/36	248,254	261,970
CCO Mortgage Corporation 88-90 Sherman Avenue, New Haven, Connecticut	5.63%	1,891	11/01/36	201,249	212,282
CCO Mortgage Corporation 25 Kreger Drive, Wolcott, Connecticut	5.63%	1,917	06/01/37	210,855	221,666
CCO Mortgage Corporation 32-34 Plant Street, New Haven, Connecticut	4.13%	894	10/01/40	126,905	132,279
Connecticut Department of Developmental Services 25 Kreger Drive, Wolcott, Connecticut	6.00%	1,441	07/01/38	163,513	170,756
Connecticut Department of Developmental Services 85 Talmadge Hill Road, Prospect, Connecticut	6.00%	177	07/01/24	-	2,054
Connecticut Housing Finance Authority 21 Victor Hill Road, Branford, Connecticut	7.34%	2,017	09/01/26	50,055	69,795
Connecticut Housing Finance Authority 33 Lake Street, West Haven, Connecticut	6.93%	2,343	07/16/27	79,714	101,471
Connecticut Housing Finance Authority 92 Hurd Road, Trumbull, Connecticut	6.63%	1,734	10/01/30	107,394	120,608
Connecticut Housing Finance Authority 92 View Terrace, East Haven, Connecticut	6.63%	1,740	10/01/30	107,776	121,037
Connecticut Housing Finance Authority 2 Anton Circle, Bridgeport, Connecticut	5.75%	2,425	01/01/33	196,749	213,990
Connecticut Housing Finance Authority 29 Briarwood Terrace, Middlebury, Connecticut	3.00%	1,939	01/01/47	381,322	392,960
Connecticut Housing Finance Authority 102 Harwinton Avenue, Plymouth, Connecticut	3.00%	1,782	01/01/47	<u>350,501</u>	<u>361,198</u>
Total mortgages payable				2,557,165	2,738,320
Less: current portion				<u>(189,651)</u>	<u>(180,826)</u>
Total mortgages payable, net of current portion				<u>\$ 2,367,514</u>	<u>\$ 2,557,494</u>

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Table 8.1 - Consolidated Schedule of Debt Obligations, Continued

<u>Lender/Collateral</u>	<u>Loans payable</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity Date</u>	<u>2024</u>	<u>2023</u>
Key Bank		5.71%	\$ 2,910	04/15/39	\$ 347,053	\$ 361,379
	Corporate assets					
Connecticut Department of Developmental Services		6.00%	272	04/01/26	5,156	8,012
	Unsecured					
Connecticut Department of Developmental Services		6.00%	91	04/01/26	1,729	2,686
	Unsecured					
Connecticut Department of Developmental Services		6.00%	112	04/01/26	2,129	3,308
	Unsecured					
Connecticut Department of Developmental Services		6.00%	148	04/01/31	9,760	10,916
	Unsecured					
Connecticut Department of Developmental Services		6.00%	120	04/01/26	2,280	3,543
	Unsecured					
Connecticut Department of Developmental Services		6.00%	230	07/01/32	17,466	19,118
	Unsecured					
Connecticut Department of Developmental Services		6.00%	199	04/01/37	21,262	22,341
	Unsecured					
Connecticut Department of Developmental Services		6.00%	214	09/01/32	16,509	18,030
	Unsecured					
Connecticut Department of Developmental Services		6.00%	573	09/01/24	1,137	7,724
	Unsecured					
Connecticut Department of Developmental Services		6.00%	143	09/01/37	15,626	16,383
	Unsecured					
Connecticut Department of Developmental Services		6.00%	506	09/01/32	39,151	42,759
	Unsecured					
Connecticut Department of Developmental Services		6.00%	174	09/01/27	6,009	7,682
	Unsecured					
Connecticut Department of Developmental Services		6.00%	445	12/01/32	35,213	38,337
	Unsecured					
Newtown Bank Loan		3.35%	843	03/11/25	8,174	17,827
	Vehicles (2)					
Newtown Bank Loan		3.83%	1,377	11/10/26	38,054	52,780
	Vehicles (3)					
Newtown Bank Loan		3.40%	3,043	11/10/24	-	30,340
	Vehicles (4)					
Newtown Bank Loan		6.00%	5,719	11/16/25	93,049	154,049
	Vehicles (9)					
Newtown Bank Loan		6.99%	6,474	07/28/26	150,045	-
	Total loans payable				809,802	817,214
	Less: current portion				(196,367)	(162,801)
	Total loans payable, net of current portion				\$ 613,435	\$ 654,413

MARRAKECH, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Table 8.1 - Consolidated Schedule of Debt Obligations, Continued

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

<u>Years Ending June 30,</u>	
2025	\$ 386,018
2026	357,167
2027	242,896
2028	208,581
2029	216,890
Thereafter	<u>1,955,415</u>
	<u>\$ 3,366,967</u>

Interest expense related to the above mortgages and loans for the years ended June 30, 2024 and 2023 was \$188,939 and \$193,135, respectively.

SUPPLEMENTARY INFORMATION

MARRAKECH, INC.

Consolidated Supporting Schedule of Operating Revenue

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Department of Developmental Services (DDS)	\$ 31,182,248	\$ 28,398,533
Department of Social Services (DSS) room and board	4,359,838	4,335,085
Department of Mental Health and Addiction Services (DMHAS)	3,561,393	3,619,192
Federal and State COVID grant funding	1,148,961	2,422,212
ABI revenue	515,704	490,544
DCF Work/Learn and Children Services programs	705,881	631,846
Other revenue, net of gains and losses on disposals of assets	405,451	617,250
Rental revenue	269,615	250,674
Board of Education	50,950	41,568
BRS revenue	346,686	245,858
Caning revenue	301,032	226,891
HSTP revenue	565,103	482,425
BESB revenue	<u>45,737</u>	<u>20,544</u>
	<u>\$ 43,458,599</u>	<u>\$ 41,782,622</u>