

**EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.**

**FINANCIAL STATEMENTS  
AND FEDERAL SINGLE AUDIT**

**YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Episcopal Social Service of the  
Diocese of Connecticut, Inc.  
New Haven, Connecticut

We have audited the accompanying financial statements of the Episcopal Social Service of the Diocese of Connecticut, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Social Service of the Diocese of Connecticut, Inc. as of December 31, 2017 and 2016, 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.

## **Other Matters**

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 June 26, 2018, on our consideration of the Episcopal Social Service of the Diocese of Connecticut, 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 Episcopal Social Service of the Diocese of Connecticut, 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 Episcopal Social Service of the Diocese of Connecticut, Inc.'s internal control over financial reporting and compliance.

***Beers, Hamerman, Cohen & Burger, P.C.***

New Haven, Connecticut  
June 26, 2018

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 556,458	\$ 428,436
Grants receivable	234,394	229,650
Promises to give	93,886	86,802
Prepaid expenses	11,623	31,524
Employee advance	-	6,000
Other receivable	2,000	-
Property and equipment - net	25,867	29,335
Security deposit	<u>2,000</u>	<u>2,000</u>
TOTAL ASSETS	<u>\$ 926,228</u>	<u>\$ 813,747</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 94,760	\$ 84,945
Refundable advance	-	54,542
Deferred revenue	<u>7,903</u>	<u>-</u>
Total Liabilities	<u>102,663</u>	<u>139,487</u>
Net Assets		
Unrestricted net assets	645,553	446,400
Temporarily restricted net assets	<u>178,012</u>	<u>227,860</u>
Total Net Assets	<u>823,565</u>	<u>674,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 926,228</u>	<u>\$ 813,747</u>

See accompanying notes to the financial statements.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenue and Support						
Grant revenue and clinic fees						
Federal pass-through grants:						
State Department of Social Services	\$ 370,737	\$ -	\$ 370,737	\$ 277,274	\$ -	\$ 277,274
Episcopal Migration Ministries	423,032	-	423,032	460,158	-	460,158
Church World Service	373,228	-	373,228	538,794	-	538,794
City of New Haven	3,668	-	3,668	4,087	-	4,087
Refugee School Impact Grant	63,225	-	63,225	44,171	-	44,171
Department of Public Health	28,137	-	28,137	26,094	-	26,094
Preferred Communities	72,760	-	72,760	69,302	-	69,302
Other contributions and grants	960,512	589,140	1,549,652	755,895	428,231	1,184,126
Immigration and legal fee income	12,888	-	12,888	-	-	-
Special events income	76,097	-	76,097	32,283	-	32,283
Less: cost of direct benefits to donors	(48,902)	-	(48,902)	(20,222)	-	(20,222)
Net assets released from restrictions:						
Restrictions satisfied by payments	370,544	(370,544)	-	372,538	(372,538)	-
Restrictions satisfied by passage of time	<u>268,444</u>	<u>(268,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>2,974,370</u>	<u>(49,848)</u>	<u>2,924,522</u>	<u>2,560,374</u>	<u>55,693</u>	<u>2,616,067</u>
Operating Expenses						
Program	2,301,277	-	2,301,277	2,157,849	-	2,157,849
Management and general	330,216	-	330,216	275,857	-	275,857
Fundraising	<u>140,368</u>	<u>-</u>	<u>140,368</u>	<u>112,073</u>	<u>-</u>	<u>112,073</u>
Total Operating Expenses	<u>2,771,861</u>	<u>-</u>	<u>2,771,861</u>	<u>2,545,779</u>	<u>-</u>	<u>2,545,779</u>
Other Income (Expense)						
Interest income	1,103	-	1,103	500	-	500
Other income	-	-	-	50,000	-	50,000
Other expense	<u>(4,459)</u>	<u>-</u>	<u>(4,459)</u>	<u>(83,490)</u>	<u>-</u>	<u>(83,490)</u>
Total Other Income (Expense)	<u>(3,356)</u>	<u>-</u>	<u>(3,356)</u>	<u>(32,990)</u>	<u>-</u>	<u>(32,990)</u>
Change in Net Assets	199,153	(49,848)	149,305	(18,395)	55,693	37,298
Net Assets at Beginning of Year	<u>446,400</u>	<u>227,860</u>	<u>674,260</u>	<u>464,795</u>	<u>172,167</u>	<u>636,962</u>
Net Assets at End of Year	<u>\$ 645,553</u>	<u>\$ 178,012</u>	<u>\$ 823,565</u>	<u>\$ 446,400</u>	<u>\$ 227,860</u>	<u>\$ 674,260</u>

See accompanying notes to the financial statements.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,176,088	\$ 213,691	\$ 90,666	\$ 1,480,445	\$ 936,943	\$ 191,302	\$ 63,808	\$ 1,192,053
Direct client aid	620,005	-	-	620,005	757,566	-	-	757,566
Employee benefits and payroll taxes	234,043	42,526	18,043	294,612	174,657	35,661	11,895	222,213
Rent	79,203	14,391	6,106	99,700	71,623	14,624	4,878	91,125
Office expenses	68,956	12,530	5,317	86,803	63,400	12,946	4,318	80,664
Program consultants	79,723	-	-	79,723	115,223	-	-	115,223
Professional fees	-	39,668	-	39,668	-	14,700	-	14,700
Travel	14,599	2,653	1,126	18,378	15,231	3,110	1,038	19,379
Fundraising	-	-	18,169	18,169	-	-	25,336	25,336
Equipment rental and maintenance	15,057	2,541	-	17,598	5,842	1,117	-	6,959
Insurance	6,185	1,124	477	7,786	4,579	935	312	5,826
Depreciation	6,007	1,092	464	7,563	7,157	1,462	488	9,107
Professional development	1,411	-	-	1,411	5,347	-	-	5,347
Miscellaneous	-	-	-	-	281	-	-	281
	<u>\$ 2,301,277</u>	<u>\$ 330,216</u>	<u>\$ 140,368</u>	<u>\$ 2,771,861</u>	<u>\$ 2,157,849</u>	<u>\$ 275,857</u>	<u>\$ 112,073</u>	<u>\$ 2,545,779</u>

See accompanying notes to the financial statements.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 149,305	\$ 37,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,563	9,107
Loss on disposal of equipment	4,459	-
Donated vehicle	(3,000)	(2,686)
(Increase) decrease in operating assets:		
Grants receivable	(4,744)	7,821
Promises to give	(7,084)	(17,425)
Prepaid expenses	19,901	(17,370)
Other receivable	(2,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,421	32,368
Refundable advance	(54,542)	44,331
Deferred revenue	<u>7,903</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>123,182</u>	<u>93,444</u>
Cash Flows From Investing Activities		
Purchase of equipment	(1,160)	(18,659)
Repayments of employee advance	6,000	-
Advance to employee	<u>-</u>	<u>(6,000)</u>
Net Cash Provided By (Used In) Investing Activities	<u>4,840</u>	<u>(24,659)</u>
Increase in Cash	128,022	68,785
Cash at Beginning of Year	<u>428,436</u>	<u>359,651</u>
Cash at End of Year	<u>\$ 556,458</u>	<u>\$ 428,436</u>
Supplemental Cash Flow Information		
Purchase of assets included in accounts payable	<u>\$ 4,394</u>	<u>\$ -</u>

See accompanying notes to the financial statements.



EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Episcopal Social Service of the Diocese of Connecticut, Inc. (Organization) is a non-profit voluntary health and welfare organization and an official human service agency of the Episcopal Church in Connecticut. The Organization operates as Integrated Refugee and Immigrant Services (IRIS), with its primary purpose to aid in the resettlement of refugees, primarily from Africa and the Middle East. The Organization is supported primarily through government grants and contributions from individuals, community groups and faith-based groups.

The Organization created an independent non-profit organization effective March 10, 2015 referred to as Integrated Refugee and Immigrant Services, Inc. Certain of the net assets of the Organization were transferred to the new non-profit Organization as of January 1, 2018. Effective July 1, 2018, the Episcopal Social Service of the Diocese of Connecticut, Inc. (ESS) amended and restated its Certificate of Incorporation; IRIS merged with and into ESS, with ESS as the surviving corporation, and the surviving corporation ESS changed its name to Integrated Refugee and Immigrant Services, Inc.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets as of December 31, 2017 and 2016.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts. Accounts at financial institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016 amounts in excess of the insurance limits totaled \$46,085 and \$83,985, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are stated at cost or fair value if donated and depreciated using the straight-line method over the estimated useful lives of the assets. The Organization's capitalization threshold is \$1,000.

Deferred Revenue and Refundable Advances

Income from future special events is deferred and recognized when the event occurs. Grant awards identified as exchange transactions are recorded as refundable advances and recognized as revenue when the related services are performed.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
(CONTINUED)

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization does not have any permanently restricted net assets.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Donated Services

The Organization recognizes donated services that will create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Prior period financial statement amounts have been reclassified to conform to current period presentation.

NOTE 2 - DONATIONS IN KIND

The Organization received donated professional services, which have been included in contribution revenue. For the years ended December 31, 2017 and 2016, the value of the donated professional services was \$34,777 and \$85,890, respectively. The amount received in 2017 pertained to legal services and moving services. In 2017, of the total amount donated, \$23,800 is included in professional fees with management and general expense, and \$10,977 is included in program consultants within program expenses. The amount received in 2016 pertained to legal and environmental consulting services. In 2016, of the total amount donated, \$5,000 was included in professional fees within management and general expense and \$80,890 was included in other expense.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 2 - DONATIONS IN KIND – (CONTINUED)

For the years ended December 31, 2017 and 2016, the Organization also received donated office furniture with a value of \$1,485 and \$1,895, respectively. For the year ended December 31, 2017 and 2016, the Organization also received donated vehicles with a value of \$3,000 and \$2,686, respectively. These amounts have been included in contribution revenue.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 14,273	\$ 107,663
Vehicles	35,656	32,656
Less: accumulated depreciation	<u>(24,062)</u>	<u>(110,984)</u>
	<u>\$ 25,867</u>	<u>\$ 29,335</u>

NOTE 4 - OPERATING LEASES

The Organization leases its facility located in New Haven, Connecticut. Monthly rent expense under the lease is \$6,810. The current lease agreement expires on March 31, 2018.

The Organization also leases three copiers and a mail machine. The monthly lease expense for each copier is \$194 and the quarterly lease expense for the mail machine is \$162.

Total lease expense for the years ended December 31, 2017 and 2016 was \$99,700 and \$91,125, respectively.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2018	\$ 25,150
2019	2,974
2020	2,974
2021	<u>162</u>
	<u>\$ 31,260</u>

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 5 - RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets consist of the following:

	December 31,	
	<u>2017</u>	<u>2016</u>
Music Project	\$ 46,844	\$ 48,970
Run for Refugees sponsorships and donations for 2017 and 2018	38,679	34,420
Designated families	19,431	41,194
Employment services and job creation	13,990	-
Community engagement	10,507	-
Operations - structural improvement	10,000	-
Other restricted purposes	9,760	8,561
Mental health and wellness	7,754	7,727
Educational outreach	7,129	11,123
New office space	6,477	6,477
Community outreach	4,934	10,336
Housing subsidies	2,050	7,162
Direct client assistance	343	15,867
Co-sponsorship	114	4,500
Immigration legal services	-	10,200
Mommy and Me	-	8,245
After school program	-	7,512
Syrian refugees	-	3,223
Staff training and other	-	1,284
Food pantry	-	1,059
	<u>\$ 178,012</u>	<u>\$ 227,860</u>

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization participates in the pension plan of the Episcopal Diocese of Connecticut, which is a defined contribution plan covering employees who: 1) are over 21, 2) have worked for the Organization for 12 months, and 3) work over 1,000 hours per year. Pension costs are determined as five (5%) percent of eligible employee compensation and a match of employee contributions up to four (4%) percent. Pension expense was \$81,394 and \$51,378 for the years ended December 31, 2017 and 2016, respectively. All employer contributions are immediately vested to the employees.

NOTE 7 - RELATED PARTY TRANSACTIONS

During 2016, the Organization advanced an employee \$7,000. The advance was scheduled to be repaid in monthly installments of \$500, and was non-interest bearing. The advance was paid in full as of December 31, 2017. As of December 31, 2016, the balance of employee advance was \$6,000.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 8 - CONCENTRATIONS

Economic Dependence

Approximately 28% and 38% of all revenue and support was from the United States Department of State's Refugee Admissions Program for the years ended December 31, 2017 and 2016, respectively. This support was received through Church World Service and Episcopal Migration Ministries.

The Organization derives substantial portions of its revenue from federal grants passed through various state agencies and church related entities. Should the relationship with any of these organizations be jeopardized or these organizations lose their own funding sources, it is possible the Organization would be unable to continue in its current form and function.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

As part of its mission, the Organization has become a party to various leases for its clientele. As of December 31, 2017, the Organization is a party to 44 leases which range from \$750 to \$1,600 per month. The leases expire at various dates, the latest being December 31, 2018.

Financial awards from governmental entities in the form of grants and fees are subject to a special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 10 - SETTLEMENT AGREEMENT AND MUTUAL RELEASE

In November 2016, the Organization entered into a settlement agreement and mutual release with the owner of a building to resolve matters under a lease with the Organization that began June 2015. Under the lease agreement, renovations were contemplated in a portion of the building for the Organization's planned use and occupancy. In the settlement, both parties terminated the lease and the owner agreed to make a one time a payment to the Organization in the amount of \$50,000, which is recorded in other income on the accompanying statement of activities. The associated professional expenses in the amount of \$80,890 are included in other expense on the accompanying statement of activities. Of this amount, \$67,765 were donated legal expenses and \$13,125 were donated environmental consulting services.

NOTE 11 - SUBSEQUENT EVENTS

In March 2018, the Organization renewed their office lease agreement. The lease period is April 1, 2018 through October 31, 2018. As part of the lease, the Organization is now renting additional storage space for \$600 per month. Monthly rent expense and all other terms of the previous lease agreement remain unchanged.

The Organization did not have any additional subsequent events through June 26, 2018, which is the date the financial statements were available to be issued.

# **FEDERAL SINGLE AUDIT**



Beers, Hamerman, Cohen & Burger, PC  
Certified Public Accountants and Business Consultants

Audit  
Tax  
Advisory  
Assurance  
Valuation  
Litigation Support

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

Board of Directors  
Episcopal Social Service of the  
Diocese of Connecticut, Inc.  
New Haven, Connecticut

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 financial statements of the Episcopal Social Service of the Diocese of Connecticut, Inc. (Organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2018.

**Internal Control Over Financial Reporting**

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

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

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

***Beers, Hamerman, Cohen & Burger, P.C.***

New Haven, Connecticut  
June 26, 2018





Beers, Hamerman, Cohen & Burger, PC  
Certified Public Accountants and Business Consultants

Audit  
Tax  
Advisory  
Assurance  
Valuation  
Litigation Support

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors  
Episcopal Social Service of the Diocese of Connecticut, Inc.  
New Haven, Connecticut

We have audited Episcopal Social Service of the Diocese of Connecticut, Inc.'s (Organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

***Beers, Hamerman, Cohen & Burger, P.C.***

New Haven, Connecticut  
June 26, 2018

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass-through Grantor/ Program	Pass-through Entity ID Number	Federal CFDA Number	Expenditures
<u>Department of State</u>			
United States Refugee Admissions Program		19.510	
Pass through from Church World Service	SPRMCO-16-CA-1007		\$ 373,228
Pass through from Episcopal Migration Ministries	SPRMCO-16-CA-1008		423,032
<u>Department of Health and Human Services</u>			
Refugee and Entrant Assistance - Discretionary Grants		93.576	
Pass through from the State of Connecticut Department of Social Services:			
TAG	106-127-467-8A1		54,279
RSIG	1066-0000-798-K3		63,225
Pass through from Episcopal Migration Ministries	90-RP-0105-03-04		72,760
Refugee and Entrant Assistance - State Administered Programs			
Refugee cash and medical assistance and refugee social services		93.566	
Pass through from the State of Connecticut Department of Social Services - RAP	1066-0000-798-K3		199,289
Pass through from the State of Connecticut Department of Public Health - Refugee Health Promotion	2015-0111		28,137
Pass through from the State of Connecticut Department of Social Services - TAG Formula	1066-0000-798-K3	93.584	117,169
<u>Department of Housing and Urban Development</u>			
Pass through from the City of New Haven, Connecticut			
Community Development Block Grants/Entitlement Grants	B15-MC-09-0009	14.218	<u>3,668</u>
			<u>\$ 1,334,787</u>

See accompanying notes to this schedule.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
NOTES TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Episcopal Social Service of the Diocese of Connecticut, Inc. (Organization), under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - SUB-RECIPIENTS

There were no awards passed through to sub-recipients for the year ending December 31, 2017.

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified? ☐ Yes ☒ None Reported

Is any noncompliance material to the financial statements noted? ☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified? ☐ Yes ☒ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Major federal programs:

Federal Grantor/ Pass-through Grantor/ Program	Federal CFDA Number	Expenditures
<u>Department of State</u>		
United States Refugee Admissions Program	19.510	
Pass through from Church World Service		\$ 373,228
Pass through from Episcopal Migration Ministries		<u>423,032</u>
		<u>\$ 796,260</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

EPISCOPAL SOCIAL SERVICE OF  
THE DIOCESE OF CONNECTICUT, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2017

**Finding No. 2016-001**

*Condition:* The Organization relies on the auditor to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Management does not have the knowledge of accounting principles to determine whether the disclosures are complete or the cash flow statement is properly prepared.

*Current Status:* This finding was corrected in 2017.

**Finding No. 2016-002/2016-004**

*Condition:* During the first three quarters of the year, employees did not prepare time summaries indicating their actual level of effort on the various grants and programs.

*Current Status:* This finding was corrected in 2017.

**Finding No. 2016-003**

*Condition:* The Organization did not track one of their fiscal 2016 federal grants to ensure that the expenditures on administrative expenses allocated to the grant were sufficient to allow for full recognition of revenue from the grant. As a result, the Organization was required to obtain permission from the grantor agency to retroactively re-allocate administrative expenses charged to unrestricted funds back to the federal grants.

*Current Status:* This finding was corrected in 2017.

**Finding No. 2016-005**

*Condition:* Certain grant reports, as filed, did not reconcile to the Organization's accounting records. Reclassification adjustments were recorded after the grant reports were submitted, and support for how the amounts in the grant reports were determined were not consistently maintained. In addition, the grant reports were not always submitted by their due date.

*Current Status:* This finding was corrected in 2017.