

**NATIONALITIES SERVICE CENTER OF
PHILADELPHIA, INC.**

SINGLE AUDIT REPORT

YEAR ENDED MAY 31, 2017

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

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SECTION I

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

***FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
(SINGLE AUDIT)***

MAY 31, 2017 AND 2016

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**The Board of Trustees
Nationalities Service Center of Philadelphia, Inc.
Philadelphia, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of The Nationalities Service Center of Philadelphia, Inc., (the “Center”), which comprise the statement of financial position as of May 31, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Center as of May 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.

**The Board of Trustees
Nationalities Service Center of Philadelphia, Inc.
Philadelphia, Pennsylvania**

Other Matters

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* (CFR) 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 October __, 2017, on our consideration of The Center'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Center's internal control over financial reporting and compliance.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
November 30, 2017**

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

STATEMENTS OF FINANCIAL POSITION

May 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 765,298	\$ 345,669
Investments	513,716	579,324
Contracts and accounts receivable	586,500	560,389
Contributions receivable	-	3,940
Prepaid expenses	<u>62,018</u>	<u>13,592</u>
Total current assets	<u>1,927,532</u>	<u>1,502,914</u>
Property and equipment, net	<u>1,254,826</u>	<u>1,359,435</u>
Total Assets	<u>\$ 3,182,358</u>	<u>\$ 2,862,349</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 380,894	\$ 311,901
Total current liabilities	<u>380,894</u>	<u>311,901</u>
OTHER LIABILITIES		
Pension plan liability	<u>564,308</u>	<u>582,926</u>
Total Liabilities	<u>945,202</u>	<u>894,827</u>
NET ASSETS		
Unrestricted	2,162,125	1,869,520
Temporarily restricted	<u>75,031</u>	<u>98,002</u>
Total Net Assets	<u>2,237,156</u>	<u>1,967,522</u>
Total liabilities and net assets	<u>\$ 3,182,358</u>	<u>\$ 2,862,349</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contracts	\$ 3,616,097	\$ 30,000	\$ 3,646,097
United Way of Southeastern PA	5,922	-	5,922
Contributions	496,988	153,363	650,351
Service fees	1,222,449	-	1,222,449
Investment income	54,473	-	54,473
Other	50,345	-	50,345
Temporarily restricted net assets released from restrictions	<u>206,334</u>	<u>(206,334)</u>	<u>-</u>
Total revenue and support – cash	<u>5,652,608</u>	<u>(22,971)</u>	<u>5,629,637</u>
In-kind goods and services	<u>955,303</u>	<u>-</u>	<u>955,303</u>
Total revenues and support	<u>6,607,911</u>	<u>(22,971)</u>	<u>6,584,940</u>
EXPENSES			
Programs			
Social services	2,363,531	-	2,363,531
Health & Wellness	1,117,893	-	1,117,893
Translation/Interpreting	834,578	-	834,578
Legal assistance	617,220	-	617,220
Education	<u>98,844</u>	<u>-</u>	<u>98,844</u>
Total program expense	<u>5,032,066</u>	<u>-</u>	<u>5,032,066</u>
Supporting services			
Management and general	299,938	-	299,938
Fundraising	<u>108,175</u>	<u>-</u>	<u>108,175</u>
Total supporting services	<u>408,113</u>	<u>-</u>	<u>408,113</u>
Total expenses – cash	<u>5,440,179</u>	<u>-</u>	<u>5,440,179</u>
In-kind goods and services	<u>955,303</u>	<u>-</u>	<u>955,303</u>
Total expenses	<u>6,395,482</u>	<u>-</u>	<u>6,395,482</u>
Excess (deficit) revenues over expenses	212,429	(22,971)	189,458
OTHER CHANGES			
Net actuarial gain on defined benefit plan	<u>80,176</u>	<u>-</u>	<u>80,176</u>
Total other changes	<u>80,176</u>	<u>-</u>	<u>80,176</u>
CHANGE IN NET ASSETS	292,605	(22,971)	269,634
NET ASSETS			
Beginning of year	<u>1,869,520</u>	<u>98,002</u>	<u>1,967,522</u>
End of year	<u>\$ 2,162,125</u>	<u>\$ 75,031</u>	<u>\$ 2,237,156</u>

The accompanying notes are an integral part of these financial statements.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contracts	\$ 2,826,902	\$ 86,260	\$ 2,913,162
United Way of Southeastern PA	11,784	-	11,784
Contributions	458,513	118,838	577,351
Service fees	1,332,627	-	1,332,627
Investment income (loss)	(31,522)	-	(31,522)
Other	329	-	329
Temporarily restricted net assets released from restrictions	<u>472,707</u>	<u>(472,707)</u>	<u>-</u>
Total revenue and support – cash	<u>5,071,340</u>	<u>(267,609)</u>	<u>4,803,731</u>
In-kind goods and services	<u>834,769</u>	<u>-</u>	<u>834,769</u>
Total revenues and support	<u>5,906,109</u>	<u>(267,609)</u>	<u>5,638,500</u>
EXPENSES			
Programs			
Social services	2,023,093	-	2,023,093
Health & Wellness	640,447	-	640,447
Translation/Interpreting	863,498	-	863,498
Legal assistance	608,982	-	608,982
Education	<u>192,239</u>	<u>-</u>	<u>192,239</u>
Total program expense	<u>4,328,259</u>	<u>-</u>	<u>4,328,259</u>
Supporting services			
Management and general	462,480	-	462,480
Fundraising	<u>174,288</u>	<u>-</u>	<u>174,288</u>
Total supporting services	<u>636,768</u>	<u>-</u>	<u>636,768</u>
Total expenses – cash	<u>4,965,027</u>	<u>-</u>	<u>4,965,027</u>
In-kind goods and services	<u>834,769</u>	<u>-</u>	<u>834,769</u>
Total expenses	<u>5,799,796</u>	<u>-</u>	<u>5,799,796</u>
Excess (deficit) revenues over expenses	106,313	(267,609)	(161,296)
OTHER CHANGES			
Net actuarial loss on defined benefit plan	<u>(98,104)</u>	<u>-</u>	<u>(98,104)</u>
Total other changes	<u>(98,104)</u>	<u>-</u>	<u>(98,104)</u>
CHANGE IN NET ASSETS	8,209	(267,609)	(259,400)
NET ASSETS			
Beginning of year	<u>1,861,311</u>	<u>365,611</u>	<u>2,226,922</u>
End of year	<u>\$ 1,869,520</u>	<u>\$ 98,002</u>	<u>\$ 1,967,522</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

STATEMENTS OF CASH FLOWS

Years Ended May 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 269,634	\$ (259,400)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	124,654	111,756
Realized and unrealized (gains) losses	(39,946)	51,356
(Increase) decrease in:		
Contracts and accounts receivable	(26,111)	(158,088)
Promises to give	3,940	46,060
Prepaid expenses	(48,426)	19,727
Increase (decrease) in:		
Accounts payable and accrued expenses	68,993	67,159
Pension plan liability	<u>(18,618)</u>	<u>210,269</u>
Cash provided by operating activities	<u>334,120</u>	<u>88,839</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(20,045)	(531,396)
Purchases of long-term investments	(50,207)	(571,180)
Proceeds from sales of long-term investments	<u>155,761</u>	<u>854,065</u>
Cash provided by (used in) investing activities	<u>85,509</u>	<u>(248,511)</u>
Net increase (decrease) in cash and cash equivalents	419,629	(159,672)
CASH AND CASH EQUIVALENTS,		
Beginning of fiscal year	<u>345,669</u>	<u>505,341</u>
End of fiscal year	<u>\$ 765,298</u>	<u>\$ 345,669</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2017 And 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nationalities Service Center of Philadelphia, Inc. (the “*Center*”) is a non-profit corporation organized to assist immigrants and refugees assimilate to the American culture. To achieve these goals, the organization provides counseling, education, legal and community services.

BASIS OF ACCOUNTING

The Center’s accounting policies conform to generally accepted accounting principles, using the accrual basis of accounting.

BASIS OF PRESENTATION

In accordance with generally accepted accounting principles, the Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that are maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes, subject to limitations specified by Commonwealth of Pennsylvania Law. There were no permanently restricted net assets as May 31, 2017 and 2016.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and other highly liquid investments with an original maturity date of three months or less are considered to be cash equivalents. The Center’s cash and cash equivalents include money market accounts in which fair market value at May 31, 2017 and 2016 was \$408,618 and \$156,626, respectively.

CONCENTRATION OF CREDIT RISK

The Center maintains cash balances in major financial institutions in excess of the federally insured limit by the Federal Deposit Insurance Corporation (FDIC). Historically, the Center has not experienced any losses and management believes it is not exposed to any significant credit risk.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2017 And 2016

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Center's financial instruments consist primarily of cash and money market deposits, investments, accounts and grants receivable and accounts payable. These balances, as presented in the financial statements as of May 31, 2017 and 2016, approximate their fair market value because of their short maturities.

CONTRIBUTIONS AND PROMISES TO GIVE

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a temporary 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*".

CONTRACTS AND ACCOUNTS RECEIVABLE

Contracts receivable are reported at their outstanding balances less any allowance for doubtful accounts. The allowance is based upon a review of the individual accounts outstanding and the organization's prior history of uncollectible receivables. At May 31, 2017 and 2016, the organization believes all contracts and accounts receivable are fully collectible, and as such, no allowance for doubtful accounts was established.

PROPERTY AND EQUIPMENT

The Center follows the practice of capitalizing, at cost or market value where the original cost is not known, as expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Building and Improvements	27.5 years
Furniture and Equipment	3 – 10 years
Leasehold Improvements	20 years

EXCHANGE TRANSACTIONS

The Center accounts for its revenue from government and other contracts as exchange transactions. Revenue is recognized in the statement of activities when earned, and any amounts received but not earned are recorded as refundable advances on the statement of financial position.

IN-KIND GOODS AND SERVICES

In-kind goods and services are recognized as contributions in accordance with Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities", if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated amount the programs and supporting services benefited, primarily based upon the relative time spent by the Center's employees on each function.

INCOME TAX STATUS

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the maximum charitable contributions deduction for individual donors.

The Center accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has reviewed the tax position for each of the open fiscal tax years (2014 - 2016) or expected to be taken in the Center's fiscal 2017 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) PLEDGES AND PROMISES TO GIVE

Pledge and promises to give at May 31 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ -	\$ 3,940
Receivable in one to five years	<u>-</u>	<u>-</u>
Total receivables, pledges, and promises to give	<u>\$ -</u>	<u>\$ 3,940</u>

(3) INVESTMENTS

The following represents the fair value of investments as of May 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Equity Mutual Funds	\$272,937	\$ 354,485
Fixed Income Mutual Funds	<u>240,779</u>	<u>224,839</u>
Total	<u>\$513,716</u>	<u>\$ 579,324</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

NSC utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Center's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value NSC's assets that are carried at fair value as of May 31, 2017 and 2016 is as follows:

	2017			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity Mutual Funds	\$ 272,937	\$ -	\$ -	\$ 272,937
Fixed Income Mutual Funds	<u>240,779</u>	<u>-</u>	<u>-</u>	<u>240,779</u>
Total Investments	<u>\$ 513,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,716</u>

	2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity Mutual Funds	\$ 354,485	\$ -	\$ -	\$ 354,485
Fixed Income Mutual Funds	<u>224,839</u>	<u>-</u>	<u>-</u>	<u>224,839</u>
Total Investments	<u>\$ 579,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 579,324</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

(5) PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property, buildings and equipment is as follows at May 31:

	<u>2017</u>	<u>2016</u>
Office condominium	\$ 1,983,820	\$ 1,963,775
Furniture and fixtures	<u>360,188</u>	<u>360,188</u>
	2,344,008	2,323,963
Less accumulated depreciation	<u>(1,089,182)</u>	<u>(964,528)</u>
Property, buildings and equipment, net	<u>\$ 1,254,826</u>	<u>\$ 1,359,435</u>

(6) NET ASSETS

Temporarily restricted net assets at May 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Client critical assistance fund	\$ 29,910	\$ -
Domestic violence program	30,000	29,685
Health care improvements	-	3,430
Home gardens project	-	34,887
Law fellowship program	6,725	-
New American integration support	4,982	10,000
Refugee assistance	2,687	10,000
Thanksgiving sponsorship	727	-
Use in future periods – promises to give	<u>-</u>	<u>10,000</u>
	<u>\$ 75,031</u>	<u>\$ 98,002</u>

Net assets were released from restrictions for incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the years ended May 31 as follows:

	<u>2017</u>	<u>2016</u>
Capital Improvements	\$ -	\$ 315,737
Client critical assistance fund	10,090	-
Domestic violence program	29,685	31,982
Health care improvements	9,908	570
Home gardens project	36,387	16,418
Law fellowship program	51,000	47,838
Mental health specialist	-	21,887
New American integration support	5,018	-
Refugee assistance	52,013	-
Thanksgiving sponsorship	2,233	-
Time restrictions expired	10,000	10,000
Website improvements	<u>-</u>	<u>28,275</u>
	<u>\$ 206,334</u>	<u>\$ 472,707</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

(7) PENSION PLAN

The Center has a non-contributory defined benefit pension plan for eligible employees. The plan complies with the Employees Retirement Income Security Act of 1974. Contributions are actuarially determined in accordance with ERISA.

Effective July 1, 2011, the Center has frozen this plan so that it is no longer open to new participants and no current participant will accrue any additional time in the calculation of future benefits.

The Center adopted the recognition provisions of Accounting Standards Codification (ASC) Topic No. 715 which requires that the funded status of defined benefit pensions, as measured as the difference between the fair value of the plan assets and the projected benefit obligation, is recognized in the Statement of Financial Position.

The Plan's assets are held by a trustee, Mutual of America, and are not included in the statement of financial position of the Center.

The following sets forth information regarding the plan as of and for the years ended May 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<u>Change in Benefit Obligation</u>		
Benefit obligation at the beginning of year	\$ 1,246,897	\$ 1,365,627
Service cost – benefits earned during the period	8,068	7,765
Interest cost on projected benefit obligation	38,779	46,563
Change due to assumption changes	10,609	42,507
Actuarial (gains)/losses	12,984	114,401
Annuities purchased or benefits paid	(8,068)	(7,765)
Expense charges	<u>(185,507)</u>	<u>(322,201)</u>
Benefit obligation at end of year	<u>\$ 1,123,762</u>	<u>\$ 1,246,897</u>
<u>Change in Plan Assets</u>		
Fair value of plan assets at beginning of year	\$ 663,971	\$ 992,970
Actual return on plan assets	60,673	(9,699)
Employer contributions	28,385	10,666
Annuities purchased or benefits paid (including expense charges)	<u>(193,575)</u>	<u>(329,966)</u>
Fair value of plan assets at end of year	<u>\$ 559,454</u>	<u>\$ 663,971</u>
Funded status and amount recognized in Statement of Financial Position for Pension Plan Liability	<u>\$ (564,308)</u>	<u>\$ (582,926)</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

Components of Net Periodic Benefit Cost

Interest cost on projected benefit obligation	\$ 46,847	\$ 54,328
Actual return on plan assets	(47,189)	(70,832)
Amortization of loss	<u>23,993</u>	<u>14,427</u>
Total net periodic benefit cost (credit)	<u>\$ 23,651</u>	<u>\$ (2,077)</u>
(Gain) or loss recognized due to settlement	<u>66,292</u>	<u>124,908</u>
Total net periodic benefit cost (credit) after recognizing settlement	<u>\$ 89,943</u>	<u>\$ 122,831</u>

Weighted-average assumptions used to determine benefit obligations at:

Discount rate	3.3%	3.1%
Expected long-term return on net assets	7.0%	7.5%
Rate of compensation increase	0.0%	0.0%

Weighted-average assumptions used to determine net periodic benefit cost for years ending at:

Discount rate	3.1%	3.4%
Expected long-term return on net assets	7.0%	7.5%
Rate of compensation increase	0.0%	0.0%

The expected long-term rate of return on net assets assumption of 7.0% was selected using the “building-block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27.

The following item has not been recognized as a component of net periodic pension cost:

	<u>2017</u>	<u>2016</u>
Net actuarial gain (loss)	<u>\$80,176</u>	<u>\$(98,104)</u>

For its defined benefit pension plan investments, the Center employs a long-term risk-controlled approach using diversified investment options with minimal exposure to volatile investment options like derivatives. The Center uses a diversified allocation of equity, debt, and general account exposures that are customized to the plan’s cash flow needs. At May 31, plan assets are as follows:

	<u>2017</u>		<u>2016</u>	
Equity	\$ 362,926	64.87%	\$ 369,015	55.58%
Fixed Income	174,464	31.19%	220,048	33.14%
General Account	<u>22,064</u>	<u>3.94%</u>	<u>74,908</u>	<u>11.28%</u>
	<u>\$ 559,454</u>	<u>100.00%</u>	<u>\$ 663,971</u>	<u>100.00%</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

The Center contributed \$28,385 and \$10,666 to the defined benefit pension plan during the years ended May 31, 2017 and 2016, respectively. The following benefit payments are expected to be paid from the assets of the pension plan in following fiscal years as follows:

<u>Fiscal Year-End</u>	
2018	\$ 211,000
2019	\$ 6,000
2020	\$ 165,000
2021	\$ 182,000
2022	76,000
2023-2027	\$ 224,000

The Center also has a defined contribution 403(b) plan covering all full-time personnel. The Center matches up to 50% of an employee's contribution not to exceed 6%. Total contributions to the plan for the years ended May 31, 2017 and 2016 amounted to \$24,072 and \$23,830, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, otherwise known as the "exit price", in an orderly transaction between market participants at the measurement date. The Center uses the three-tier fair value hierarchy as a basis for its assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment schedules, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Center's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

May 31, 2017 And 2016

The summary of inputs used to value the Institute's plan assets carried at fair value as of May 31, 2017 and 2016 were as follows:

	2017			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Fixed Income	\$ 174,464	\$ 174,464	\$ -	\$ -
Equities	<u>362,926</u>	<u>362,926</u>	<u>-</u>	<u>-</u>
	<u>\$ 537,390</u>	<u>\$ 537,390</u>	<u>\$ -</u>	<u>\$ -</u>

	2016			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Fixed Income	\$ 220,048	\$ 220,048	\$ -	\$ -
Equities	<u>369,015</u>	<u>369,015</u>	<u>-</u>	<u>-</u>
	<u>\$ 589,063</u>	<u>\$ 589,063</u>	<u>\$ -</u>	<u>\$ -</u>

(8) CONCENTRATION OF REVENUE SOURCES

For the years ended May 31, 2017 and 2016, the Center received approximately 60% and 57%, respectively, of its total revenue from one funding source (the Federal Government), (directly and indirectly, through other organizations) for a range of refugee support resettlement services. Substantially all of this funding was awarded on a per capita basis, with the increased funding directly reflecting an expansion of numbers of refugees resettled.

(9) CONTINGENCIES

CONTRACTUAL ADJUSTMENTS

The contracts and grants under which the Center conducts its programs contain provisions defining costs which are allowable and reimbursable within the program. Program billings are subject to audit by various governmental funding sources. Audits of these billings may result in adjustments for disallowances.

(10) SUBSEQUENT EVENTS

In preparing these financial statements, management of the Center has evaluated events and transactions for potential recognition or disclosure through November 30, 2017, the date of the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended May 31, 2017

	<u>Social Services</u>	<u>Health & Wellness</u>	<u>Translation/ Interpreting</u>	<u>Legal</u>	<u>Education</u>	<u>Total</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total Expense</u>
Salaries	\$ 611,735	\$ 349,331	\$ 198,886	\$ 339,786	\$ 54,911	\$ 1,554,649	\$ 169,338	\$ 41,475	\$ 1,765,462
Employee pension expense	31,165	17,797	10,132	17,311	2,797	79,202	8,628	2,113	89,943
Other employee benefits and payroll taxes	<u>130,927</u>	<u>74,766</u>	<u>42,567</u>	<u>72,723</u>	<u>11,752</u>	<u>332,735</u>	<u>36,243</u>	<u>8,877</u>	<u>377,855</u>
Total salaries, benefits and taxes	<u>773,827</u>	<u>441,894</u>	<u>251,585</u>	<u>429,820</u>	<u>69,460</u>	<u>1,966,586</u>	<u>214,209</u>	<u>52,465</u>	<u>2,233,260</u>
Professional fees and contracted services	140,110	511,082	487,832	74,614	4,073	1,217,711	11,142	2,729	1,231,582
Supplies, telephone and postage	31,275	15,232	12,413	14,536	2,175	75,631	4,555	1,859	82,045
Occupancy	27,928	15,948	24,080	15,512	2,507	85,975	7,731	1,893	95,599
Repairs	16,209	9,256	5,270	9,003	1,455	41,193	4,486	1,099	46,778
Equipment and maintenance	29,268	19,038	18,224	20,096	2,103	88,729	6,485	6,114	101,328
Printing and teaching materials	2,132	372	356	393	11,584	14,837	37	316	15,190
Travel	33,738	5,150	1,219	6,309	-	46,416	1,555	77	48,048
Conferences and meetings	1,578	984	35	3,065	-	5,662	1,262	-	6,924
Dues and subscriptions	390	550	290	1,405	-	2,635	6,424	75	9,134
Insurance	17,623	10,064	5,730	12,476	1,582	47,475	4,878	1,195	53,548
Specific assistance to individuals	1,217,207	37,375	-	-	-	1,254,582	-	-	1,254,582
Depreciation and amortization	43,193	24,665	14,043	23,991	3,877	109,769	11,957	2,928	124,654
Special event expense	-	-	-	-	-	-	100	28,990	29,090
Miscellaneous	29,053	26,283	852	6,000	28	62,216	25,117	8,435	95,768
Bad Debt Expense	<u>-</u>	<u>-</u>	<u>12,649</u>	<u>-</u>	<u>-</u>	<u>12,649</u>	<u>-</u>	<u>-</u>	<u>12,649</u>
Total expenses – cash	<u>2,363,531</u>	<u>1,117,893</u>	<u>834,578</u>	<u>617,220</u>	<u>98,844</u>	<u>5,032,066</u>	<u>299,938</u>	<u>108,175</u>	<u>5,440,179</u>
In-kind goods and services	<u>480,461</u>	<u>120,912</u>	<u>-</u>	<u>170,366</u>	<u>118,000</u>	<u>889,739</u>	<u>65,564</u>	<u>-</u>	<u>955,303</u>
Total expenses	<u>\$ 2,843,992</u>	<u>\$ 1,238,805</u>	<u>\$ 834,578</u>	<u>\$ 787,586</u>	<u>\$ 216,844</u>	<u>\$ 5,921,805</u>	<u>\$ 365,502</u>	<u>\$ 108,175</u>	<u>\$ 6,395,482</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended May 31, 2016

	<u>Social Services</u>	<u>Health & Wellness</u>	<u>Translation/ Interpreting</u>	<u>Legal</u>	<u>Education</u>	<u>Total</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total Expense</u>
Salaries	\$ 594,408	\$ 300,231	\$ 229,694	\$ 355,867	\$ 99,379	\$ 1,579,579	\$ 219,315	\$ -	\$ 1,798,894
Employee pension expense	40,587	20,500	15,684	24,299	6,786	107,856	14,975	-	122,831
Other employee benefits and payroll taxes	120,991	57,314	44,529	69,388	18,926	311,148	53,463	-	364,611
Total salaries, benefits and taxes	<u>755,986</u>	<u>378,045</u>	<u>289,907</u>	<u>449,554</u>	<u>125,091</u>	<u>1,998,583</u>	<u>287,753</u>	<u>-</u>	<u>2,286,336</u>
Professional fees and contracted services	160,681	137,632	512,673	59,320	6,741	877,047	14,080	104,732	995,859
Supplies, telephone and postage	39,621	23,420	11,986	19,728	5,895	100,650	8,377	3,624	112,651
Occupancy	30,196	14,177	21,945	27,338	18,620	112,276	9,146	2,919	124,341
Repairs	7,496	3,850	2,897	4,488	1,253	19,984	2,766	883	23,633
Equipment and maintenance	2,622	1,559	642	2,745	-	7,568	52,157	1,188	60,913
Printing and teaching materials	730	253	947	258	27,054	29,242	88	131	29,461
Travel	38,519	6,652	358	4,102	-	49,631	14	143	49,788
Conferences and meetings	1,903	1,910	1,460	-	-	5,273	1,185	-	6,458
Dues and subscriptions	115	625	2,736	8,172	-	11,648	30,238	-	41,886
Insurance	7,138	3,662	2,758	6,965	1,193	21,716	2,634	841	25,191
Specific assistance to individuals	933,001	42,308	-	-	-	975,309	-	-	975,309
Depreciation and amortization	35,544	17,953	13,735	21,280	5,943	94,455	13,115	4,186	111,756
Special event expense	-	-	107	-	-	107	164	55,043	55,314
Miscellaneous	9,541	8,401	1,347	5,032	449	24,770	40,763	598	66,131
Total expenses – cash	<u>2,023,093</u>	<u>640,447</u>	<u>863,498</u>	<u>608,982</u>	<u>192,239</u>	<u>4,328,259</u>	<u>462,480</u>	<u>174,288</u>	<u>4,965,027</u>
In-kind goods and services	262,911	83,632	-	170,193	245,250	761,986	72,783	-	834,769
Total expenses	<u>\$ 2,286,004</u>	<u>\$ 724,079</u>	<u>\$ 863,498</u>	<u>\$ 779,175</u>	<u>\$ 437,489</u>	<u>\$ 5,090,245</u>	<u>\$ 535,263</u>	<u>\$ 174,288</u>	<u>\$ 5,799,796</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND LOCAL AWARDS

Year Ended May 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	<u>Questioned Cost</u>
Federal Financial Awards				
U.S. Department of State				
Bureau of Population, Refugees and Migration				
Pass-through United States Committee of Refugees and Immigrants:				
Reception and Placement Program	19.510	10/1/15 – 9/30/16 10/1/16 – 9/30/17	\$ 1,198,500	\$ -
U.S. Department of Health & Human Services				
Office of Refugee Resettlement				
Pass-through United States Committee on Refugees and Immigrants				
Matching Grant Program	93.567	10/1/15 – 9/30/16 10/1/16 – 9/30/17	446,000	-
National Human Trafficking Victim Assistance	93.598	9/30/15 – 9/29/18	169,858	-
Preferred Communities Program for Newly Arriving Refugees with Intensive Case Management Needs	93.576	9/30/15 – 9/29/16 9/30/16 – 9/29/17	77,993	-
Iranian Refugee Parole Program	93.576	12/15/14 – 12/14/16	5,602	-
Refugee Marriage Strengthening Program	93.086	9/30/15 – 9/29/16 9/30/16 – 9/29/17	139,323	-
Pass-through US Conference of Catholic Bishops Migration and Refugee Services:				
Unaccompanied Alien Children Program	93.676	10/1/15 – 9/30/16	9,100	-
Pass-through the Pennsylvania Bureau of Employment and Training Programs				
Refugee and Employment Advancement Program	93.584	10/1/15 – 9/30/16 10/1/16 – 9/30/17	255,579	-
SEAMAAC	93.584	10/1/15 – 9/30/16 10/1/16 – 9/30/17	9,369	-
Pass-through Thomas Jefferson University				
Strengthening Surveillance for Diseases Among				
Newly-Arrived Immigrants and Refugees	93.283	9/30/15 – 9/29/16 9/30/16 – 9/29/17	13,722	-

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND LOCAL AWARDS – (Continued)

Year Ended May 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	<u>Questioned Cost</u>
Federal Financial Awards				
U.S. Department of Health & Human Services				
Pass-through Minnesota Department of Health:				
Establishment of Centers of Excellence in Refugee Health	93.283	9/30/16 – 9/29/17	<u>137,602</u>	<u>-</u>
Pass-through Pennsylvania Department of Welfare:				
Philadelphia Refugee Health Program	93.566	7/1/16 – 9/30/17	<u>80,397</u>	<u>-</u>
Refugee Advisory Committee	93.566	10/1/16 – 9/30/17	<u>12,501</u>	<u>-</u>
Philadelphia International Women's Project	93.088	7/15/16 – 9/30/19	<u>188,233</u>	<u>-</u>
Survivors of Torture – Direct Assistance				
	93.604	9/30/15 – 9/29/16 9/30/16 – 9/29/17	<u>319,753</u>	<u>-</u>
ORR – Greater Philadelphia Anti-Human Trafficking Campaign				
	93.598	7/1/15 – 6/30/16 7/1/16 – 6/30/17	<u>122,979</u>	<u>-</u>
Total – U.S. Department of Health & Human Services			<u>1,988,011</u>	<u>-</u>
U.S. Department of Agriculture				
Pass-through Pennsylvania Horticultural Society				
Community Food Project Grant	10.225	7/1/16 – 6/30/17	<u>15,000</u>	<u>-</u>
U.S. Department of Justice				
Legal Services for Latina Immigrant Victims of Violence	16.524	10/1/13 – 9/30/16	<u>64,167</u>	<u>-</u>
Bridge to Wellness Comprehensive Social and Legal Services for Latina Immigrant				
Survivors of Domestic Violence and Sexual Assault	16.016	10/1/16 - 9/30/18	<u>57,134</u>	<u>-</u>
Pass-through Pennsylvania Commission on Crime and Delinquency				
Anti-Human Trafficking Program	16.575	10/1/16 - 9/30/19	<u>28,524</u>	<u>-</u>
Pass-through The Salvation Army:				
Services for Trafficking Victims	16.320	1/28/15 – 9/30/16	<u>11,063</u>	<u>-</u>
Total – U.S. Department of Justice			<u>160,888</u>	<u>-</u>
Total Federal Awards			<u>\$ 3,362,399</u>	<u>\$ -</u>

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND LOCAL AWARDS

Year Ended May 31, 2017

(1) GENERAL INFORMATION

The accompanying schedule of expenditures of federal and local awards presents the activities in all federal awards programs of the Center. All financial awards received directly from federal agencies as well as federal financial awards passed through other governmental agencies are included on the schedule.

(2) BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards is presented using the accrual basis of accounting. 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.”* The amounts reported in this schedule as expenditures may differ from certain financial reports submitted on either a cash or modified accrual basis of accounting.

(3) REVENUE RECOGNITION

All programs have recognized revenue only to the extent of their contractual funding limitations. Expenditures exceeding grant or contract budget limitations are funded from other sources. Those expenditures, if any, are not included in these schedules.

(4) INDIRECT COST RATE

NSC elected to use the 10% de minimis indirect cost rate

SECTION II

**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 Trustees
Nationalities Service Center of Philadelphia, Inc.
Philadelphia, Pennsylvania**

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 Nationalities Service Center of Philadelphia, Inc. (the “Center”), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November, 30 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center’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 Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’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.

We did note certain other matters that we reported to management of the Center in a separate letter dated November 30, 2017.

**Board of Trustees
Nationalities Service Center of Philadelphia, Inc.
Philadelphia, Pennsylvania**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test 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 Center'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.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
November 30, 2017**

SECTION III

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

**Board of Trustees
Nationalities Service Center of Philadelphia, Inc.
Philadelphia, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited the Nationalities Service Center of Philadelphia, Inc. (the "Center")'s 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 Center's major federal programs for the year ended May 31, 2017. The Center'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center'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* 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 Center'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 Center's compliance.

Opinion on Each Major Federal Program

In our opinion, The Center 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 May 31, 2017.

**Board of Trustees
Nationalities Service Center of Philadelphia, Inc.
Philadelphia, Pennsylvania**

Report on Internal Control Over Compliance

Management of the Center 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 Center'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 Center'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 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.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
November 30, 2017**

SECTION IV

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- (i) Type of auditor’s report issued: Unmodified
- (ii) Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified not
considered to be material weaknesses? Yes X None Reported
- (iii) Noncompliance material to financial statements noted? Yes X No

Federal Awards

- (iv) Internal control over major programs:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified not
considered to be material weaknesses? Yes X None Reported
- (v) Type of auditor’s report issued on compliance for
major programs: Unmodified
- (vi) Any audit findings disclosed that are required to
be reported in accordance with 2 CFR Section
200.516(a) of the Uniform Guidance Yes X No
- (vii) Identification of major programs:

Name of Federal Program or Cluster

CFDA’s

- U.S. Dept. of State
Reception and Placement Program 19.510
- (viii) Dollar threshold used to distinguish between
Type A and Type B Programs: \$750,000
- (ix) Auditee qualified as low-risk Auditee? X Yes No

NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)

Year Ended May 31, 2017

Part II – Financial Statement Finding Section:

No matters reportable for the year ended May 31, 2017.

Part III – Federal Awards Findings and Questioned Cost Section:

Year ended May 31, 2017

No findings or questioned costs noted.

Status of Prior Year Findings:

No findings or questioned costs noted.