# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

***SINGLE AUDIT REPORT***

**YEAR ENDED MAY 31, 2019**

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

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# SECTION I

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# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

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

**MAY 31, 2019 AND 2018**

# 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 statements of financial position as of May 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2019 and 2018, 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 September __, 2019, 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**
**September 27, 2019**

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

***STATEMENTS OF FINANCIAL POSITION***

**May 31, 2019 And 2018**

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 285,862 | $ 1,076,860 |
| Investments | 1,062,377 | 534,105 |
| Contracts and accounts receivable | 680,675 | 607,409 |
| Prepaid expenses | 40,572 | 44,287 |
| **Total current assets** | 2,069,486 | 2,262,661 |
| Property and equipment, net | 1,095,572 | 1,134,205 |
| **Total Assets** | $ 3,165,058 | $ 3,396,866 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 374,035 | $ 358,600 |
| **Total current liabilities** | 374,035 | 358,600 |
| **OTHER LIABILITIES** | | |
| Pension plan liability | 384,008 | 416,854 |
| **Total Liabilities** | 758,043 | 775,454 |
| **NET ASSETS** | | |
| Without donor restrictions | 2,229,469 | 2,488,507 |
| With donor restrictions | 177,546 | 132,905 |
| **Total Net Assets** | 2,407,015 | 2,621,412 |
| **Total liabilities and net assets** | $ 3,165,058 | $ 3,396,866 |

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

***STATEMENT OF ACTIVITIES***

**Year Ended May 31, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUE AND SUPPORT** | | | |
| Grants and contracts | $ 2,738,661 | $ 374,226 | $ 3,112,887 |
| United Way of Southeastern PA | 27,465 | - | 27,465 |
| Contributions | 430,399 | - | 430,399 |
| Service fees | 1,080,284 | - | 1,080,284 |
| Investment income | 31,457 | - | 31,457 |
| Other | 3,131 | - | 3,131 |
| Net assets with donor restrictions released from restrictions | 329,585 | (329,585) | - |
| **Total revenue and support – cash** | 4,640,982 | 44,641 | 4,685,623 |
| In-kind goods and services | 824,226 | - | 824,226 |
| **Total revenues and support** | 5,465,208 | 44,641 | 5,509,849 |
| **EXPENSES** | | | |
| Programs | | | |
| Social Services / Health & Wellness | 2,654,375 | - | 2,654,375 |
| Translation/Interpreting | 716,082 | - | 716,082 |
| Legal assistance | 699,018 | - | 699,018 |
| Education | 125,932 | - | 125,932 |
| Total program expense | 4,195,407 | - | 4,195,407 |
| Supporting services | | | |
| Management and general | 416,985 | - | 416,985 |
| Fundraising | 207,399 | - | 207,399 |
| Total supporting services | 624,384 | - | 624,384 |
| **Total expenses – cash** | 4,819,791 | - | 4,819,791 |
| In-kind goods and services | 824,226 | - | 824,226 |
| **Total expenses** | 5,644,017 | - | 5,644,017 |
| Excess (deficit) of revenues over expenses | (178,809) | 44,641 | (134,168) |
| **OTHER CHANGES** | | | |
| Net actuarial loss on defined benefit plan | (80,229) | - | (80,229) |
| **Total other changes** | (80,229) | - | (80,229) |
| **CHANGE IN NET ASSETS** | (259,038) | 44,641 | (214,397) |
| **NET ASSETS** | | | |
| Beginning of year | 2,488,507 | 132,905 | 2,621,412 |
| **End of year** | $ 2,229,469 | $ 177,546 | $ 2,407,015 |

## NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

### *STATEMENT OF ACTIVITIES*

**Year Ended May 31, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUE AND SUPPORT** | | | |
| Grants and contracts | $ 2,773,285 | $ 367,296 | $ 3,140,581 |
| United Way of Southeastern PA | 11,502 | - | 11,502 |
| Contributions | 705,919 | - | 705,919 |
| Service fees | 1,211,275 | - | 1,211,275 |
| Investment income | 35,791 | - | 35,791 |
| Other | 468 | - | 468 |
| Net assets with donor restrictions released from restrictions | 309,422 | (309,422) | - |
| **Total revenue and support – cash** | 5,047,662 | 57,874 | 5,105,536 |
| In-kind goods and services | 577,575 | - | 577,575 |
| **Total revenues and support** | 5,625,237 | 57,874 | 5,683,111 |
| **EXPENSES** | | | |
| Programs | | | |
| Social Services / Health & Wellness | 2,752,750 | - | 2,752,750 |
| Translation/Interpreting | 739,069 | - | 739,069 |
| Legal assistance | 642,974 | - | 642,974 |
| Education | 112,574 | - | 112,574 |
| Total program expense | 4,247,367 | - | 4,247,367 |
| Supporting services | | | |
| Management and general | 389,002 | - | 389,002 |
| Fundraising | 155,207 | - | 155,207 |
| Total supporting services | 544,209 | - | 544,209 |
| **Total expenses – cash** | 4,791,576 | - | 4,791,576 |
| In-kind goods and services | 577,575 | - | 577,575 |
| **Total expenses** | 5,369,151 | - | 5,369,151 |
| Excess of revenues over expenses | 256,086 | 57,874 | 313,960 |
| **OTHER CHANGES** | | | |
| Net actuarial gain on defined benefit plan | 70,296 | - | 70,296 |
| **Total other changes** | 70,296 | - | 70,296 |
| **CHANGE IN NET ASSETS** | 326,382 | 57,874 | 384,256 |
| **NET ASSETS** | | | |
| Beginning of year | 2,162,125 | 75,031 | 2,237,156 |
| **End of year** | $ 2,488,507 | $ 132,905 | $ 2,621,412 |

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

## *SCHEDULE OF FUNCTIONAL EXPENSES*

### Year Ended May 31, 2019

| | Health & Wellness/ Social Services | Translation/ Interpreting | Legal | Education | Total | Management And General | Fundraising | Total Expense |
|---|---|---|---|---|---|---|---|---|
| Salaries | $ 877,780 | $ 177,239 | $ 412,058 | $ 67,589 | $ 1,534,666 | $ 242,673 | $ 83,519 | $ 1,860,858 |
| Employee pension expense | 15,221 | 3,073 | 7,145 | 1,172 | 26,611 | 4,208 | 1,448 | 32,267 |
| Other employee benefits and payroll taxes | 201,511 | 40,689 | 94,596 | 15,516 | 352,312 | 55,711 | 19,173 | 427,196 |
| **Total salaries, benefits and taxes** | 1,094,512 | 221,001 | 513,799 | 84,277 | 1,913,859 | 302,592 | 104,140 | 2,320,321 |
| Professional fees and contracted services | 645,539 | 453,365 | 54,650 | 6,313 | 1,159,867 | 21,973 | 28,085 | 1,209,925 |
| Supplies, telephone and postage | 45,042 | 9,219 | 21,174 | 3,414 | 78,849 | 8,376 | 4,341 | 91,566 |
| Occupancy | 38,116 | 7,696 | 17,893 | 2,935 | 66,640 | 10,536 | 3,627 | 80,803 |
| Repairs | 15,264 | 3,083 | 7,166 | 1,176 | 26,689 | 484 | 1,453 | 28,626 |
| Equipment and maintenance | 134,515 | 9,195 | 14,599 | 7,855 | 166,164 | 8,596 | 5,966 | 180,726 |
| Printing and teaching materials | 1,078 | 5 | 479 | 12,316 | 13,878 | 7 | 358 | 14,243 |
| Travel | 29,863 | 63 | 10,091 | - | 40,017 | 4,673 | 327 | 45,017 |
| Conferences and meetings | 2,499 | - | 100 | - | 2,599 | 1,670 | - | 4,269 |
| Dues and subscriptions | 583 | 80 | 4,568 | - | 5,231 | 4,694 | 385 | 10,310 |
| Insurance | 18,055 | 3,598 | 10,789 | 1,372 | 33,814 | 4,927 | 1,696 | 40,437 |
| Specific assistance to individuals | 589,331 | - | 28,502 | 3,600 | 621,433 | 1,725 | 3,417 | 626,575 |
| Depreciation and amortization | 32,062 | 6,474 | 15,051 | 2,469 | 56,056 | 8,863 | 3,051 | 67,970 |
| Special event expense | 500 | - | - | - | 500 | - | 43,753 | 44,253 |
| Miscellaneous | 7,416 | 2,303 | 157 | 205 | 10,081 | 37,869 | 6,800 | 54,750 |
| **Total expenses – cash** | 2,654,375 | 716,082 | 699,018 | 125,932 | 4,195,407 | 416,985 | 207,399 | 4,819,791 |
| In-kind goods and services | 482,157 | - | 202,767 | 138,500 | 823,424 | 802 | - | 824,226 |
| **Total expenses** | $ 3,136,532 | $ 716,082 | $ 901,785 | $ 264,432 | $ 5,018,831 | $ 417,787 | $ 207,399 | $ 5,644,017 |



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

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

## *SCHEDULE OF FUNCTIONAL EXPENSES*

### Year Ended May 31, 2018

| | Health & Wellness/ Social Services | Translation/ Interpreting | Legal | Education | Total | Management And General | Fundraising | Total Expense |
|---|---|---|---|---|---|---|---|---|
| Salaries | $ 822,926 | $ 189,707 | $ 380,798 | $ 58,633 | $ 1,452,064 | $ 224,127 | $ 49,749 | $ 1,725,940 |
| Employee pension expense | 28,504 | 6,571 | 13,190 | 2,031 | 50,296 | 7,763 | 1,722 | 59,781 |
| Other employee benefits and payroll taxes | 178,915 | 41,245 | 82,790 | 12,748 | 315,698 | 48,728 | 10,817 | 375,243 |
| **Total salaries, benefits and taxes** | 1,030,345 | 237,523 | 476,778 | 73,412 | 1,818,058 | 280,618 | 62,288 | 2,160,964 |
| Professional fees and contracted services | 726,265 | 437,310 | 38,010 | 4,302 | 1,205,887 | 15,417 | 18,482 | 1,239,786 |
| Supplies, telephone and postage | 31,278 | 6,591 | 18,887 | 2,261 | 59,017 | 6,622 | 3,251 | 68,890 |
| Occupancy | 38,355 | 8,842 | 17,749 | 2,733 | 67,679 | 10,446 | 2,319 | 80,444 |
| Repairs | 15,297 | 3,526 | 7,079 | 1,090 | 26,992 | 4,166 | 925 | 32,083 |
| Equipment and maintenance | 43,210 | 14,137 | 23,559 | 2,628 | 83,534 | 10,045 | 8,795 | 102,374 |
| Printing and teaching materials | 657 | 128 | 160 | 20,286 | 21,231 | 356 | 253 | 21,840 |
| Travel | 25,314 | 96 | 15,180 | - | 40,590 | 6,234 | 28 | 46,852 |
| Conferences and meetings | 4,998 | - | 1,637 | - | 6,635 | 266 | 463 | 7,364 |
| Dues and subscriptions | 1,575 | 1,330 | 2,405 | - | 5,310 | 6,823 | 95 | 12,228 |
| Insurance | 22,064 | 5,086 | 14,782 | 1,572 | 43,504 | 6,010 | 1,335 | 50,849 |
| Specific assistance to individuals | 746,259 | - | - | - | 746,259 | - | 2,646 | 748,905 |
| Depreciation and amortization | 57,512 | 13,258 | 26,613 | 4,098 | 101,481 | 15,664 | 3,477 | 120,622 |
| Special event expense | 1,190 | - | - | - | 1,190 | - | 43,047 | 44,237 |
| Miscellaneous | 8,431 | 383 | 135 | 192 | 9,141 | 26,335 | 7,803 | 43,279 |
| Bad Debt Expense | - | 10,859 | - | - | 10,859 | - | - | 10,859 |
| **Total expenses – cash** | 2,752,750 | 739,069 | 642,974 | 112,574 | 4,247,367 | 389,002 | 155,207 | 4,791,576 |
| In-kind goods and services | 303,009 | - | 104,769 | 138,500 | 546,278 | 31,297 | - | 577,575 |
| **Total expenses** | $ 3,055,759 | $ 739,069 | $ 747,743 | $ 251,074 | $ 4,793,645 | $ 420,299 | $ 155,207 | $ 5,369,151 |



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

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

***STATEMENTS OF CASH FLOWS***

**Years Ended May 31, 2019 And 2018**

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Changes in net assets | $ (214,397) | $ 384,256 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 67,970 | 120,621 |
| Contributions of investments | - | (391,933) |
| Realized and unrealized gains | (3,365) | (19,433) |
| (Increase) decrease in: | | |
| Contracts and accounts receivable | (73,266) | (20,909) |
| Prepaid expenses | 3,715 | 17,731 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 15,435 | (22,294) |
| Pension plan liability | (32,846) | (147,454) |
| **Cash used in operating activities** | (236,754) | (79,415) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property and equipment | (29,337) | - |
| Purchases of long-term investments | (887,511) | (29,051) |
| Proceeds from sales of long-term investments | 362,604 | 420,028 |
| **Cash provided by (used in) investing activities** | (554,244) | 390,977 |
| **Net increase (decrease) in cash and cash equivalents** | (790,998) | 311,562 |
| **CASH AND CASH EQUIVALENTS,** | | |
| Beginning of fiscal year | 1,076,860 | 765,298 |
| End of fiscal year | $ 285,862 | $ 1,076,860 |

## (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 two classes of net assets:

***Without Donor Restrictions***
Net assets that are not subject to donor-imposed stipulations.

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

### *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 and other short-term investments in which fair market value at May 31, 2019 and 2018 was $235,816 and $744,674, 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.

***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, 2019 and 2018, approximate their fair market value because of their short maturities.

***CONTRIBUTIONS AND PROMISES TO GIVE***

All contributions are considered to be available for general operating 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 donor restricted support that increases that net asset class. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018, 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.

### *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 (2016 - 2018) or expected to be taken in the Center's fiscal 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### *NEW ACCOUNTING PRONOUNCEMENT*

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities.* The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, under water endowment funds, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. This ASU was adopted by the Center for the year ended May 31, 2019 and did not have a material effect on the statement of financial position or results of operations.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 are as follows:

| Net Asset Classifications | Balance At June 30, 2018 As Previously Reported | Adjustments From ASU 2016-14 | Balance At July 1, 2018 As Adjusted |
|---|---|---|---|
| Unrestricted Net Assets | $2,488,507 | $(2,488,507) | $ - |
| Temporarily Restricted | 132,905 | (132,905) | - |
| Without Donor Restriction | - | 2,488,507 | 2,488,507 |
| With Donor Restriction | - | 132,905 | 132,905 |
| Net assets previously presented | $2,621,412 | $ - | $2,621,412 |

***RECLASSIFICATIONS***

Certain account balances in the 2018 financial statements have been reclassified to conform to the 2019 presentation

***NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED***

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. The Center plans to adopt the new ASU at the required implementation date.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Center plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Center plans to adopt the new ASU at the required implementation date

## (2) INVESTMENTS

The following represents the fair value of investments as of May 31, 2019 and 2018.

| | 2019 | 2018 |
|---|---|---|
| Equity Mutual Funds | $ 502,157 | $ 300,616 |
| Fixed Income Mutual Funds | 560,220 | 233,489 |
| Total | $1,062,377 | $ 534,105 |

## (3) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Center 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 the Center's assets that are carried at fair value as of May 31, 2019 and 2018 is as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Equity Mutual Funds | $ 502,157 | $ - | $ - | $ 502,157 |
| Fixed Income Mutual Funds | 560,220 | - | - | 560,220 |
| Total Investments | $1,062,377 | $ - | $ - | $1,062,377 |

| | 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Equity Mutual Funds | $ 300,616 | $ - | $ - | $ 300,616 |
| Fixed Income Mutual Funds | 233,489 | - | - | 233,489 |
| Total Investments | $ 534,105 | $ - | $ - | $ 534,105 |

## (4) PROPERTY, BUILDINGS AND EQUIPMENT

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

| | 2019 | 2018 |
|---|---|---|
| Office condominium | $ 1,988,295 | $ 1,983,820 |
| Furniture and fixtures | 385,050 | 360,188 |
| | 2,373,345 | 2,344,008 |
| Less accumulated depreciation | (1,277,773) | (1,209,803) |
| Property, buildings and equipment, net | $ 1,095,572 | $ 1,134,205 |

## (5) NET ASSETS

Net assets with donor restrictions at May 31, 2019 and 2018 are available for the following purposes:

| | 2019 | 2018 |
|---|---|---|
| Refugee assistance & programs | $ 36,046 | $ 37,683 |
| Health & wellness programs | 51,500 | 32,000 |
| Legal assistance & support | - | 6,725 |
| Other | - | 1,497 |
| Use in future periods – promises to give | 90,000 | 55,000 |
| | $177,546 | $132,905 |

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:

| | 2019 | 2018 |
|---|---|---|
| Refugee assistance & programs | $238,277 | $163,446 |
| Health & wellness programs | 20,000 | 26,000 |
| Legal assistance & support | 29,811 | 117,330 |
| Other | 1,497 | 2,646 |
| Time restrictions expired | 40,000 | - |
| | $329,585 | $309,422 |

## (6) 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, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| **Change in Benefit Obligation** | | |
| Benefit obligation at the beginning of year | $ 1,021,540 | $ 1,123,762 |
| Service cost – benefits earned during the period | 7,325 | 7,435 |
| Interest cost on projected benefit obligation | 37,932 | 37,206 |
| Change due to assumption changes | 61,070 | (25,353) |
| Actuarial (gains)/losses | 12,564 | 17,165 |
| Annuities purchased or benefits paid | (7,325) | (7,435) |
| Expense charges | (54,177) | (131,240) |
| Benefit obligation at end of year | $ 1,078,929 | $ 1,021,540 |
| **Change in Plan Assets** | | |
| Fair value of plan assets at beginning of year | $ 604,686 | $ 559,454 |
| Actual return on plan assets | 6,395 | 46,968 |
| Employer contributions | 145,342 | 136,939 |
| Annuities purchased or benefits paid (including expense charges) | (61,502) | (138,675) |
| Fair value of plan assets at end of year | $ 694,921 | $ 604,686 |
| Funded status and amount recognized in Statement of Financial Position for Pension Plan Liability | $ (384,008) | $ (416,854) |

| **Components of Net Periodic Benefit Cost** | **2019** | **2018** |
|---|---|---|
| Interest cost on projected benefit obligation | $ 45,257 | $ 44,641 |
| Actual return on plan assets | (47,159) | (43,695) |
| Amortization of loss | 13,736 | 16,330 |
| Total net periodic benefit cost (credit) | 11,834 | 17,276 |
| (Gain) or loss recognized due to settlement | 20,433 | 42,505 |
| Total net periodic benefit cost (credit) after recognizing settlement | $ 32,267 | $ 59,781 |
| Weighted-average assumptions used to determine benefit obligations at: | | |
| Discount rate | 3.3% | 3.7% |
| Expected long-term return on net assets | 7.0% | 7.0% |
| Rate of compensation increase | 0.0% | 0.0% |
| Weighted-average assumptions used to determine net periodic benefit cost for years ending at: | | |
| Discount rate | 3.7% | 3.3% |
| Expected long-term return on net assets | 7.0% | 7.0% |
| 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:

| | **2019** | **2018** |
|---|---|---|
| Net actuarial gain (loss) | $(80,229) | $70,296 |

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:

| | **2019** | | **2018** | |
|---|---|---|---|---|
| Equity | $432,166 | 62.19% | $356,357 | 58.93% |
| Fixed Income | 262,755 | 37.81% | 148,388 | 24.54% |
| General Account | - | - | 99,941 | 16.53% |
| | $694,921 | 100.00% | $604,686 | 100.00% |

The Center contributed $145,342 and $136,939 to the defined benefit pension plan during the years ended May 31, 2019 and 2018, respectively. The following benefit payments are expected to be paid from the assets of the pension plan in following fiscal years as follows:

| **Fiscal Year-End** | |
|---|---|
| 2020 | $ 366,000 |
| 2021 | $ 68,000 |
| 2022 | $ 79,000 |
| 2023 | $ 42,000 |
| 2024 | $ 15,000 |
| 2025-2029 | $ 296,000 |

The Center also has a defined contribution 403(b) plan covering all full-time personnel. The Center matches an employee's contribution up to 4%. Total contributions to the plan for the years ended May 31, 2019 and 2018 amounted to $44,811 and $25,703, 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.

The summary of inputs used to value the Institute's plan assets carried at fair value as of May 31, 2019 and 2018 were as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | **Total** | **Level 1 Quoted Prices** | **Level 2 Other Significant Inputs** | **Level 3 Significant Unobservable Inputs** |
| Fixed Income | $ 262,755 | $ 262,755 | $ - | $ - |
| Equities | 432,166 | 432,166 | - | - |
| | $ 694,921 | $ 694,921 | $ - | $ - |

| | 2018 | | | |
|---|---|---|---|---|
| | **Total** | **Level 1 Quoted Prices** | **Level 2 Other Significant Inputs** | **Level 3 Significant Unobservable Inputs** |
| Fixed Income | $ 148,388 | $ 148,388 | $ - | $ - |
| Equities | 356,357 | 356,357 | - | - |
| | $ 504,745 | $ 504,745 | $ - | $ - |

## (7) CONCENTRATION OF REVENUE SOURCES

For the years ended May 31, 2019 and 2018, the Center received approximately 51% and 48%, 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.

## (8) 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.

## (9) LINE OF CREDIT

The Center has a $250,000, revolving line of credit which is payable on demand at the bank's discretion and expires July 1, 2019. Interest on the line of credit is variable at the Prime rate plus .75%. There were no outstanding borrowings at May 31, 2019 or 2018. Subsequent to year end, the expiration of the line of credit was extended until July 1, 2022.

## (10) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Center's financial assets as of May 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor and/or contractual restrictions.

| Financial Assets | **2019** |
|---|---|
| Cash and cash equivalents | $ 285,862 |
| Investments | 1,062,377 |
| Contracts and accounts receivable, current | 680,675 |
| Total financial assets | 2,028,914 |
| Less: | |
| Donor restricted funds | (177,549) |
| Financial assets available to meet general expenditures within one year | $1,851,365 |

The Center strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. In addition, the Center maintains a $250,000 line of credit which can be drawn on as needed during the year to manage cash flows

## (11) SUBSEQUENT EVENTS

In preparing these financial statements, management of the Center has evaluated events and transactions for potential recognition or disclosure through September 27, 2019, the date of the financial statements were available to be issued.

# SUPPLEMENTAL INFORMATION

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

## *SCHEDULE OF EXPENDITURES OF FEDERAL AND LOCAL AWARDS*

### Year Ended May 31, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Period | Expenditures | Provided to Subrecipients |
|---|---|---|---|---|
| **Federal Financial Awards** | | | | |
| **U.S. Department of State Bureau of Population, Refugees and Migration** | | | | |
| Pass-through United States Committee of Refugees and Immigrants: | | 10/1/17 – 9/30/18 | | |
| Reception and Placement Program | 19.510 | 10/1/18 – 9/30/19 | $ 279,000 | $ - |
| **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 | 10/1/17 – 9/30/18 | | |
| | | 10/1/18 – 9/30/19 | 330,200 | - |
| National Human Trafficking Victim Assistance | 93.598 | 9/30/15 – 9/29/18 | 119,594 | - |
| Preferred Communities Program for Newly Arriving Refugees with Intensive Case | 93.576 | 9/30/17 – 9/29/18 | | |
| Management Needs | | 9/30/18 – 9/29/19 | 79,562 | 12,000 |
| Refugee Marriage Strengthening Program | 93.086 | 9/30/17 – 9/29/18 | | |
| | | 9/30/18 – 9/29/19 | 112,392 | - |
| Pass-through the Pennsylvania Department of Human Services | | | | |
| Refugee and Employment Advancement Program | 93.584 | 10/1/17 – 9/30/18 | 28,192 | - |
| Pass-through Minnesota Department of Health: | | | | |
| Establishment of Centers of Excellence in Refugee Health | 93.283 | 9/30/17 – 9/29/18 | 77,354 | 55,623 |
| Pass-through Pennsylvania Department of Welfare: | | | | |
| Philadelphia Refugee Health Program | 93.566 | 10/1/17 – 9/30/18 | | |
| | | 10/1/18 – 9/30/19 | 74,140 | 13,334 |
| Philadelphia International Women's Project – Direct Assistance | 93.088 | 7/15/16 – 9/30/19 | 372,902 | 266,878 |
| Survivors of Torture – Direct Assistance | 93.604 | 9/30/17 – 9/29/18 | | |
| | | 9/30/18 – 9/29/19 | 324,433 | 68,087 |
| Pass-through Pennsylvania Developmental Disabilities Council : | | | | |
| Cross Systems Navigator | 93.630 | 3/1/18 – 2/28/20 | 76,692 | - |
| Total – U.S. Department of Health & Human Services | | | 1,595,461 | 415,922 |

# NATIONALITIES SERVICE CENTER OF PHILADELPHIA, INC.

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

## Year Ended May 31, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grantor's Number | Expenditures | Provided to Subrecipients |
|---|---|---|---|---|
| **Federal Financial Awards** | | | | |
| **U.S. Department of Justice** | | | | |
| 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 | 53,917 | - |
| Pass-through Pennsylvania Commission on Crime and Delinquency | | | | |
| Anti-Human Trafficking Program | 16.575 | 10/1/16 – 9/30/19 | 174,488 | - |
| Bridge to Wellness: Services to Immigrant Survivors | 16.575 | 4/1/18 – 9/30/20 | 156,592 | - |
| Total 16.575 | | | 331,080 | - |
| Specialized Services for Victims of Trafficking in Southeastern Pennsylvania | 16.320 | 10/1/18 – 9/30/21 | 3,864 | - |
| Pass-through The Salvation Army: | | | | |
| Philadelphia Anti-Human Trafficking Task Force | 16.320 | 1/1/18 – 9/30/20 | 70,471 | - |
| Philadelphia Anti-Human Trafficking Task Force | 16.320 | 10/1/15 – 9/30/19 | 43,659 | - |
| Total 16.320 | | | 117,994 | - |
| Total – U.S. Department of Justice | | | 502,991 | - |
| Total Federal Awards | | | $ 2,377,452 | $ 415,922 |

## (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

The Center 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, 2019, 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 September 27, 2019.

***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 September 27, 2019.

**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**
**September 27, 2019**

# 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, 2019. 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, 2019.

**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**
**September 27, 2019**

# SECTION IV

## 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. Department of Health and Human Services - Assistance for Survivors of Torture | 93.604 |
| Advancing System Improvements for Key Issues In Women's Health | 93.088 |

(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

## Part II – Financial Statement Finding Section:
No matters reportable for the year ended May 31, 2019.

## Part III – Federal Awards Findings and Questioned Cost Section:

### Year ended May 31, 2019
No findings or questioned costs noted.

## Status of Prior Year Findings:
No findings or questioned costs noted.