EPISCOPAL SOCIAL SERVICE OF THE DIOCESE OF CONNECTICUT, INC.
Report on Examination of Financial Statements and Supplemental Data
For the Years Ended December 31, 2006 and 2005

In charge accountant:
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North Haven, Connecticut 06473
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Firm ID No. 06-0415530
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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Social Service of the Diocese of Connecticut, Inc., as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 3, 2007, on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting data required by HUD included in the report is presented for the purposes of additional analysis and is not a required part of the basic financial statements of

The supporting data required by HUD included in the report is presented for the purposes of additional analysis and is not a required part of the basic financial statements of
Episcopal Social Service of the Diocese of Connecticut, Inc. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

North Haven, Connecticut
March 3, 2007
REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH Government Auditing Standards

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

We have audited the financial statements of Episcopal Social Service of the Diocese of Connecticut, Inc.,
a nonprofit corporation) as of and for the year ended December 31, 2006, and have issued our report thereon
dated March 3, 2007. 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.

COMPLIANCE:

As part of obtaining reasonable assurance about whether Episcopal Social Service of the Diocese of
Connecticut, Inc.’s, financial statements are free of material misstatement, we performed tests of its
compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which
could have a direct and material effect on the determination of financial statement amounts. However,
providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly,
we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are
required to be reported under Government Auditing Standards

INTERNAL CONTROL OVER FINANCIAL REPORTING:

In planning and performing our audit, we considered Episcopal Social Service of the Diocese of
Connecticut, Inc.’s, internal control over financial reporting in order to determine our auditing procedures for
the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal
control over financial reporting. Our consideration of the internal control over financial reporting would not
necessarily disclose all matters in the internal control over financial reporting that might be material
weaknesses. A material weakness is a condition in which the design or operation of one or more of the
internal control components does not reduce to a relatively low level the risk that misstatements caused by
error or fraud in amounts that would be material in relation to the financial statements being audited may
occur and not be detected within a timely period by employees in the normal course of performing their
assigned functions. We noted no matters involving the internal control over financial reporting and its
operation that we consider material weaknesses.

This report is intended solely for the information of the board of directors, management, others within the
organization, and federal awarding agencies and is not intended to be and should not be used by anyone other
than these specified parties.

Kircaldie, Randall & McNab LLC

North Haven, Connecticut
March 3, 2007
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

COMPLIANCE:

We have audited the compliance of Episcopal Social Service of the Diocese of Connecticut, Inc.,
(a nonprofit corporation) with the types of compliance requirements described in the U.S. Office of
Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its
major federal program for the year ended December 31, 2006. The Company’s major federal
program is identified in the schedule of expenditures of federal awards. Compliance with the
requirements of laws, regulations, contracts and grants applicable to its major federal program is the
responsibility of the Company’s management. Our responsibility is to express an opinion on the
Company’s compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-
133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB
Circular A-133 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 Company's compliance with those requirements and performing such
other procedures as we consider necessary in the circumstances. We believe that out audit provides
a reasonable basis for our opinion. Our audit does not provide a legal determination on the
Company’s compliance with those requirements.

In our opinion, the Company complied, in all material respects, with the requirements referred to
above that are applicable to its major federal program for the year ended December 31, 2006.

INTERNAL CONTROL OVER COMPLIANCE:

The management of the Company is responsible for establishing and maintaining effective
internal control over compliance with requirements of laws, regulations, contracts and grants
applicable to federal programs. In planning and performing our audit, we considered the Company’s
internal control over compliance with requirements that could have a direct and material effect on a
major federal program in order to determine our auditing procedures for the purpose of expressing
our opinion on compliance and to test and report on internal control over compliance in accordance
with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all
matters in the internal control that might be material weaknesses. A material weakness is a
condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the board of directors, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KIRCALDIE, RANDALL & McNAB LLC

North Haven, Connecticut
March 3, 2007
## Statement of Financial Position

December 31, 2006 and 2005

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$134,281</td>
<td>$107,792</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>78,301</td>
<td>118,613</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$212,582</td>
<td>$226,405</td>
</tr>
<tr>
<td>Equipment and fixtures, net of accumulated depreciation of $74,721 and $73,321 in 2006 and 2005 respectively</td>
<td>$7,001</td>
<td>$8,401</td>
</tr>
<tr>
<td>Security deposit</td>
<td>$2,000</td>
<td>$1,200</td>
</tr>
<tr>
<td>Total assets</td>
<td>$221,583</td>
<td>$236,006</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$13,538</td>
<td>$13,538</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>10,120</td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>21,366</td>
<td>24,785</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$45,024</td>
<td>$38,323</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>$176,559</td>
<td>$197,683</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$176,559</td>
<td>$197,683</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$221,583</td>
<td>$236,006</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
EPISCOPAL SOCIAL SERVICE OF THE DIOCESE OF CONNECTICUT, INC.
Statement of Activities
For the Years ended December 31, 2006 and 2005

Revenue and Support:

Federal pass-through grants:
- State Dept of Social Services $123,189 $153,724
- Episcopal Migration Ministries 200,173 115,596
- Church World Service 51,963 103,986
- City of New Haven
- Contributions-Diocese of Connecticut 45,000 45,000
- Other contributions and grants 141,182 67,474
- Interest income 3,255 2,177
Total revenue and support $564,762 $545,317

Expenses:
- Program $495,186 $503,572
- Management and general 90,700 91,280
Total expenses $585,886 $594,852

Increase (decrease) in net assets $ (21,124) $ (49,535)
Net assets - beginning of year 197,683 247,218
Net assets - end of year $176,559 $197,683

The accompanying notes are an integral part of the financial statements
### EPISCOPAL SOCIAL SERVICE OF THE DIOCESE OF CONNECTICUT, INC.

Statement of Functional Expenses
For the Years ended December 31, 2006 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th></th>
<th>2005</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program</td>
<td>Total</td>
<td>Program</td>
<td>Total</td>
</tr>
<tr>
<td>Salaries</td>
<td>$212,009</td>
<td>$265,011</td>
<td>$203,226</td>
<td>$254,032</td>
</tr>
<tr>
<td>Program consultants</td>
<td>43,143</td>
<td>55,764</td>
<td>79,074</td>
<td>95,240</td>
</tr>
<tr>
<td>Client aid</td>
<td>114,594</td>
<td>114,594</td>
<td>109,088</td>
<td>109,088</td>
</tr>
<tr>
<td>Employee benefit and payroll taxes</td>
<td>49,958</td>
<td>62,447</td>
<td>46,094</td>
<td>57,618</td>
</tr>
<tr>
<td>Office expenses</td>
<td>30,328</td>
<td>33,698</td>
<td>26,527</td>
<td>29,474</td>
</tr>
<tr>
<td>Rent</td>
<td>17,055</td>
<td>18,950</td>
<td>14,882</td>
<td>16,536</td>
</tr>
<tr>
<td>Travel</td>
<td>8,525</td>
<td>9,472</td>
<td>9,167</td>
<td>10,185</td>
</tr>
<tr>
<td>Equipment rental and maintenance</td>
<td>15,087</td>
<td>16,763</td>
<td>8,844</td>
<td>9,827</td>
</tr>
<tr>
<td>Auditing fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>844</td>
<td>1,126</td>
<td>3,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,242</td>
<td>1,380</td>
<td>1,821</td>
<td>2,023</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,120</td>
<td>1,400</td>
<td>1,120</td>
<td>1,400</td>
</tr>
<tr>
<td>Professional development</td>
<td>1,281</td>
<td>1,281</td>
<td>729</td>
<td>729</td>
</tr>
<tr>
<td></td>
<td>$495,186</td>
<td>$585,886</td>
<td>$503,572</td>
<td>$594,852</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
Statement of Cash Flows
December 31, 2006 and 2005

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$ (21,124)</td>
<td>$ (49,535)</td>
</tr>
<tr>
<td>Depreciation charges not requiring cash outlay</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>Cash used by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in grants receivable</td>
<td>40,312</td>
<td>(7,403)</td>
</tr>
<tr>
<td>Change in accounts payable and accrued expenses</td>
<td>10,120</td>
<td>(185)</td>
</tr>
<tr>
<td>Change in security deposits</td>
<td>(800)</td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(3,419)</td>
<td>24,785</td>
</tr>
<tr>
<td>Net cash provided (used) by operating activities</td>
<td>$ 26,489</td>
<td>$ (30,938)</td>
</tr>
</tbody>
</table>

| Cash flows from investing activities:                         |          |          |
| Purchase of fixed assets                                      | $        | $        |
| Net cash provided (used) by investing activities              |          |          |

| Increase (decrease) in cash and cash equivalents               | $ 26,489 | $ (30,938) |
| Cash - Beginning                                              | 107,792  | 138,730  |
| Cash - Ending                                                 | $ 134,281 | $ 107,792 |

The accompanying notes are an integral part of the financial statements
NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Episcopal Social Service of the Diocese of Connecticut, Inc., (the Organization) is a non-profit voluntary health and welfare organization and an official human service agency of the Episcopal Church in Connecticut. The Agency is also known as Interfaith Refugee Ministry and its primary purpose is to aid in the resettlement of refugees, primarily from Africa and the Middle East. The Agency is supported primarily through grants and individual and church donations. Approximately 66% and 76% of all revenue and support was from federal pass-through grants for the years ended December 31, 2006 and 2005, respectively.

Basis of Presentation: The financial statements are prepared in accordance with applicable provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." In accordance with SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts, which may be earmarked for special purposes. Temporarily restricted net assets represent contributions that are restricted by the donor as to purposes or as to time of expenditure. Permanently restricted net assets represent contributions that are received with the donor restriction that the principal be invested in perpetuity and only the income thereon be available for operations.

Revenue Recognition: Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities. Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts is conditioned on the attainment of specific performance goals and, therefore, is recognized to the extent of the performance achieved.

Grant and contract awards in excess of revenues recognized are presented as deferred revenue and support. Grants and contracts with various public agencies require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill such conditions, which include expending funds in accordance with the approved budget, could result in the return of funds to the grantor.

Fixed Assets: Fixed assets are stated at cost or fair value if donated and depreciated using the straight-line method over the estimated useful lives of the assets. The Organization’s policy is to capitalize any acquisitions in excess of $500.

Income Taxes: Episcopal Social Service of the Diocese of Connecticut, Inc. is exempt from federal income tax under the Internal Revenue Code §501(c)(3). There has, therefore, been no income tax provided for in the financial statements.

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

**Functional Expense Allocation:** The costs of providing programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Prior Year Amounts:** Certain 2005 amounts may have been reclassified to conform to the 2006 presentation in the financial statements.

**NOTE 2 — DONATED SERVICES:**

Many individuals have contributed significant amounts of time to activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services because they do not meet the recognition criteria of SFAS Statement No. 116.

**NOTE 3 — OPERATING LEASE:**

The Organization leases its headquarters under an operating lease which runs from July 1, 2006 through June 30, 2011. Currently a portion of the property is sublet for $400/month. The future minimum lease payments are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$25,200</td>
</tr>
<tr>
<td>2008</td>
<td>27,600</td>
</tr>
<tr>
<td>2009</td>
<td>30,000</td>
</tr>
<tr>
<td>2010</td>
<td>32,400</td>
</tr>
<tr>
<td>2011</td>
<td>16,800</td>
</tr>
</tbody>
</table>

**NOTE 4 — EMPLOYEE BENEFIT PLAN:**

The Organization participates in the pension plan of the Episcopal Diocese of Connecticut which is a defined contribution plan covering employees who: 1) are over 21, 2) have worked for the Organization for 12 months, and 3) work over 1,000 hours per year. Pension costs are determined as five (5%) percent of eligible employee compensation and a match of employee contributions up to four (4%) percent and amounted to approximately $9,400 and $10,500 for the years ended December 31, 2006 and 2005, respectively. All employer contributions are immediately vested to the employees.

**NOTE 5 — CONCENTRATION OF CREDIT RISK:**

The Organization maintains cash deposits with various banks and financial institutions that at various times may exceed federally insured limits. As of December 31, 2006, there were no uninsured amounts in financial institutions.
NOTE 6 — ECONOMIC DEPENDENCY:

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

#### For the Year Ended December 31, 2006

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Agreement/Project Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Health and Human Services:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-Through Programs From State of Connecticut Department of Social Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refugee and Entrant Assistance</td>
<td>93.566</td>
<td>093-ESS-RAP-10</td>
<td>$ 96,552</td>
</tr>
<tr>
<td></td>
<td>93.566</td>
<td>093-ESS-RAP-11</td>
<td>26,637</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>123,189</td>
</tr>
<tr>
<td>Pass-Through Programs from Church World Service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refugee Assistance - Voluntary Agency Programs</td>
<td>93.567</td>
<td></td>
<td>$ 31,943</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td>$ 312,126</td>
</tr>
<tr>
<td><strong>U. S. Department of State, Bureau of Population, Refugees and Migration:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-Through Programs from Church World Service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Grant - Reception and Placement</td>
<td></td>
<td></td>
<td>$ 20,020</td>
</tr>
<tr>
<td>Pass-Through Programs from Episcopal Migration Ministry:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Grant - Reception and Placement</td>
<td></td>
<td></td>
<td>$ 43,179</td>
</tr>
<tr>
<td><strong>Total U.S. Department of State</strong></td>
<td></td>
<td></td>
<td>$ 63,199</td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards</strong></td>
<td></td>
<td></td>
<td>$ 375,325</td>
</tr>
</tbody>
</table>
NOTE 1 — BASIS OF PRESENTATION:

The accompanying schedule expenditure of federal awards includes the federal grant activity of Episcopal Social Service of the Diocese of Connecticut, Inc., and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A–133, Audits of States. Local Governments, and Non–Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
EPISCOPAL SOCIAL SERVICE OF THE DIOCESE OF CONNECTICUT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION I — SUMMARY OF AUDITOR’S RESULTS:

Financial Statements:

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:
- Material weaknesses identified? X
- Reportable conditions identified that are not considered to be material weaknesses? X

Noncompliance material to financial statements noted? X

Federal Awards:

Internal control over major programs:
- Material weaknesses identified? X
- Reportable conditions identified that are not considered to be material weaknesses? X

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A–133? X

Major Programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.566</td>
<td>Refugee and Entrant Assistance</td>
</tr>
<tr>
<td>93.567</td>
<td>Refugee Assistance</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and B programs: $300,000

Auditee qualified as low risk? X

SECTION II — FINANCIAL STATEMENT FINDINGS

No findings or questioned costs are reported relating to Federal financial assistance programs

SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to Federal financial assistance programs.