

NATIONALITIES SERVICE CENTER  
OF PHILADELPHIA, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MAY 31, 2007 and 2006

NATIONALITIES SERVICE CENTER  
OF PHILADELPHIA, INC.

YEARS ENDED MAY 31, 2007 AND 2006

TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report.....  | 1           |
| Financial Statements   |             |
| Statements of Financial Position.....  | 3           |
| Statements of Activities and Changes in Net Assets .....   | 4           |
| Statements of Cash Flows .....   | 5           |
| Schedule of Functional Expenses.....   | 6           |
| Notes To Financial Statements .....  | 7           |
| Supplementary Information  |             |
| Independent Auditors' Report on Supplemental Information .....   | 13          |
| Schedule of Expenditures of Federal Awards .....   | 14          |
| Notes to Schedule of Expenditures of Federal Awards.....   | 15          |
| Schedule of Findings and Questioned Costs.....   | 16          |
| Report on Compliance and on Internal Control<br>Over Financial Reporting Based on an Audit of<br>Financial Statements Performed in Accordance<br>With <i>Government Auditing Standards</i> ..... | 17          |
| Report on Compliance with Requirements Applicable<br>to Each Major Program and Internal Control over<br>Compliance in Accordance with OMB Circular A-133 .....                                   | 19          |



587 Haddon Avenue  
Collingswood, NJ 08108  
Phone: (856) 858-7887  
Fax: (856) 858-1142

1845 Walnut Street, 14th floor  
Philadelphia, PA 19103  
Phone: (215) 665-3979  
Web: rbscpa.com

## Independent Auditors' Report

To: The Board of Directors  
Nationalities Service Center of Philadelphia  
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of **Nationalities Service Center of Philadelphia** as of May 31, 2007 and 2006 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of **Nationalities Service Center of Philadelphia's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Nationalities Service Center of Philadelphia** as of May 31, 2007 and 2006 and the changes in its net assets and cash flows for the years 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 our report dated November 7, 2007, on our consideration of **Nationalities Service Center of Philadelphia's** internal control structure and a report dated September 26, 2006 on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report 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 accompanying schedule of expenditures of federal awards of **Nationalities Service Center of Philadelphia**, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and the schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

Philadelphia, PA  
November 7, 2007

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
STATEMENTS OF FINANCIAL POSITION  
MAY 31

| <u>ASSETS</u>                              | <u>2007</u>                | <u>2006</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>                      |                            |                            |
| Cash and cash equivalents                  | \$ 209,565                 | \$ 540,905                 |
| Contracts receivable                       | 146,278                    | 92,495                     |
| Receivable due from closing                | 191,615                    | -                          |
| Promises to give                           | 30,000                     | 25,000                     |
| Prepaid expenses                           | 5,175                      | 3,415                      |
|  | <u>582,633</u>             | <u>661,814</u>             |
| <b>TOTAL CURRENT ASSETS</b>                |                            |                            |
| <b>INVESTMENTS</b>                         |                            |                            |
| Marketable securities                      | <u>294,669</u>             | <u>181,206</u>             |
| <b>PROPERTY AND EQUIPMENT</b>              |                            |                            |
| Land                                       | -                          | 23,600                     |
| Building                                   | -                          | 126,759                    |
| Office condominium                         | 1,383,405                  | 924,424                    |
| Furniture and fixtures                     | 288,049                    | 269,063                    |
|  | <u>1,671,453</u>           | <u>1,343,846</u>           |
| Less accumulated depreciation              | <u>(260,172)</u>           | <u>(355,512)</u>           |
|  | <u>1,411,281</u>           | <u>988,334</u>             |
| <b>OTHER ASSETS</b>                        |                            |                            |
| Cash - Environmental escrow                | 31,564                     | 30,000                     |
| Loan origination cost, net of amortization | -                          | 3,387                      |
| Lien reserves                              | -                          | 23,924                     |
|  | <u>31,564</u>              | <u>57,311</u>              |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 2,320,147</u></u> | <u><u>\$ 1,888,665</u></u> |
| <u>LIABILITIES AND NET ASSETS</u>          |                            |                            |
| <b>CURRENT LIABILITIES</b>                 |                            |                            |
| Accounts payable and accrued expenses      | \$ 155,102                 | \$ 110,525                 |
| Note payable, bank                         | -                          | 930,000                    |
| Pension plan liability                     | 59,363                     | 8,600                      |
|  | <u>214,465</u>             | <u>1,049,125</u>           |
| <b>TOTAL CURRENT LIABILITIES</b>           | <u>214,465</u>             | <u>1,049,125</u>           |
| <b>NET ASSETS</b>                          |                            |                            |
| Unrestricted                               | 2,075,682                  | 814,540                    |
| Temporarily restricted                     | 30,000                     | 25,000                     |
|  | <u>2,105,682</u>           | <u>839,540</u>             |
| <b>TOTAL NET ASSETS</b>                    | <u>2,105,682</u>           | <u>839,540</u>             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    | <u><u>\$ 2,320,147</u></u> | <u><u>\$ 1,888,665</u></u> |

The accompanying notes are an integral part of these financial statements

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MAY 31, 2007  
WITH COMPARATIVE TOTALS FOR 2006

|   | Unrestricted        | Temporarily<br>Restricted | Total<br>2007       | Total<br>2006     |
|---|---------------------|---------------------------|---------------------|-------------------|
| <b><u>SUPPORT AND REVENUE</u></b>                               |                     |                           |                     |                   |
| <b>SUPPORT</b>  |                     |                           |                     |                   |
| Grants and contracts  | \$ 708,840          | \$ 30,000                 | \$ 738,840          | \$ 1,163,791      |
| United Way of Southeastern PA                                   | 283,087             | -                         | 283,087             | 269,708           |
| Contributions   | 297,074             | -                         | 297,074             | 191,441           |
| Temporarily restricted net assets<br>released from restrictions | 25,000              | (25,000)                  | -                   | -                 |
| <b>TOTAL SUPPORT</b>  | <b>1,314,000</b>    | <b>5,000</b>              | <b>1,319,000</b>    | <b>1,624,940</b>  |
| <b>REVENUE</b>  |                     |                           |                     |                   |
| Service fees  | 713,085             | -                         | 713,085             | 651,552           |
| Investment income   | 18,794              | -                         | 18,794              | 10,580            |
| Gain on sale of property  | 1,437,268           | -                         | 1,437,268           | -                 |
| Other   | 90,364              | -                         | 90,364              | 1,453             |
| <b>TOTAL REVENUE</b>  | <b>2,259,511</b>    | <b>-</b>                  | <b>2,259,511</b>    | <b>663,585</b>    |
| <b>TOTAL PUBLIC SUPPORT REVENUE</b>                             | <b>3,573,512</b>    | <b>5,000</b>              | <b>3,578,512</b>    | <b>2,288,525</b>  |
| <b>EXPENSES</b>   |                     |                           |                     |                   |
| <b>Programs</b>   |                     |                           |                     |                   |
| Refugee services  | 718,763             | -                         | 718,763             | 760,439           |
| Senior Center   | 167,938             | -                         | 167,938             | 172,490           |
| <b>TOTAL PROGRAMS</b>   | <b>886,701</b>      | <b>-</b>                  | <b>886,701</b>      | <b>932,929</b>    |
| <b>Services</b>   |                     |                           |                     |                   |
| Translation/Interpreting  | 453,414             | -                         | 453,414             | 379,105           |
| Legal assistance  | 412,494             | -                         | 412,494             | 310,488           |
| Education   | 242,021             | -                         | 242,021             | 137,437           |
| <b>TOTAL SERVICES</b>   | <b>1,107,929</b>    | <b>-</b>                  | <b>1,107,929</b>    | <b>827,030</b>    |
| Management & general  | 317,741             | -                         | 317,741             | 291,474           |
| <b>TOTAL EXPENSES</b>   | <b>2,312,370</b>    | <b>-</b>                  | <b>2,312,370</b>    | <b>2,051,432</b>  |
| <b>CHANGES IN NET ASSETS</b>                                    | 1,261,142           | 5,000                     | 1,266,142           | 237,092           |
| <b>NET ASSETS, BEGINNING</b>                                    | <b>814,540</b>      | <b>25,000</b>             | <b>839,540</b>      | <b>602,448</b>    |
| <b>NET ASSETS, ENDING</b>                                       | <b>\$ 2,075,682</b> | <b>\$ 30,000</b>          | <b>\$ 2,105,682</b> | <b>\$ 839,540</b> |

The accompanying notes are an integral part of these financial statements

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31,

|  | <u>2007</u>       | <u>2006</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                   |                   |
| Change in net assets   | \$ 1,266,142      | \$ 237,092        |
| Adjustments to reconcile change in net assets to net cash provided |                   |                   |
| Depreciation and amortization                                      | 31,419            | 16,865            |
| Gain on sale of building   | (1,437,268)       | -                 |
| Decrease (increase) in contracts receivable                        | (53,784)          | 5,704             |
| (Increase) in other receivables                                    | (191,615)         | -                 |
| Decrease in prepaid pension cost                                   | -                 | 13,993            |
| (Increase) in promises to give                                     | (5,000)           | (5,000)           |
| Decrease (increase) in prepaid expenses                            | (1,760)           | 30                |
| (Increase) in environmental escrow                                 | (1,564)           | (30,000)          |
| Decrease (increase) in loan origination costs                      | -                 | (6,271)           |
| Decrease (increase) in lien reserves                               | 23,924            | (23,923)          |
| Increase in accounts payable                                       | 44,577            | 26,830            |
| Increase in pension plan liability                                 | 50,763            | 8,600             |
|  | <u>(274,165)</u>  | <u>243,920</u>    |
| Cash (used in) provided by operating activities                    |                   |                   |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                     |                   |                   |
| Proceeds from sale of property                                     | 1,464,222         | -                 |
| (Increase) decrease in marketable securities                       | (113,463)         | (11,787)          |
| Purchase/additions - office condominium                            | (458,981)         | (924,424)         |
| Purchase of equipment  | (18,953)          | (22,345)          |
|  | <u>872,825</u>    | <u>(958,556)</u>  |
| Cash provided by (used in) investing activities                    |                   |                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |                   |                   |
| Proceeds from note payable, bank                                   | 272,607           | 930,000           |
| Payments made on note payable, bank                                | (1,202,607)       | -                 |
|  | <u>(930,000)</u>  | <u>930,000</u>    |
| Cash (used in) provided by investing activities                    |                   |                   |
| (Decrease) increase in cash  | (331,340)         | 215,364           |
| Cash balance, beginning  | 540,905           | 325,541           |
| Cash balance, ending   | <u>\$ 209,565</u> | <u>\$ 540,905</u> |

The accompanying notes are an integral part of these financial statements

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2007  
WITH COMPARATIVE TOTALS FOR 2006

|  | Translation/<br>Interpreting | Refugee<br>Services | Senior<br>Center  | Legal             | Education         | Total               | Management<br>& General | 2007<br>Total<br>Expenses | 2006<br>Total<br>Expenses |
|--|------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------------|---------------------------|---------------------------|
| Salaries                                   | \$ 100,625                   | \$ 270,032          | \$ 86,610         | \$ 241,799        | \$ 84,191         | \$ 783,257          | \$ 142,135              | \$ 925,392                | \$ 815,092                |
| Employee Benefits & Taxes                  | 25,265                       | 71,010              | 21,887            | 73,959            | 21,217            | 213,338             | 37,278                  | 250,616                   | 187,078                   |
| <b>Total Salaries &amp; Expenses</b>       | <b>125,890</b>               | <b>341,042</b>      | <b>108,497</b>    | <b>315,758</b>    | <b>105,408</b>    | <b>996,595</b>      | <b>179,413</b>          | <b>1,176,008</b>          | <b>1,002,170</b>          |
| Professional fees &<br>contracted services | 301,456                      | 20,776              | 6,477             | 13,346            | 2,950             | 345,005             | 29,635                  | 374,640                   | 333,004                   |
| Supplies, telephone & postage              | 8,310                        | 20,507              | 36,160            | 14,795            | 6,494             | 86,266              | 25,751                  | 112,017                   | 102,769                   |
| Occupancy                                  | 6,232                        | 26,093              | 14,017            | 24,925            | 49,899            | 121,166             | 18,768                  | 139,933                   | 56,102                    |
| Equipment and maintenance                  | -                            | 95                  | 710               | 395               | 1,584             | 2,784               | 19,115                  | 21,899                    | 32,596                    |
| Printing & teacher materials               | -                            | 179                 | -                 | 172               | 27,909            | 28,260              | 4,708                   | 32,968                    | 26,072                    |
| Travel                                     | (351)                        | 19,947              | 358               | 1,764             | 30                | 21,748              | 4,096                   | 25,844                    | 25,996                    |
| Conferences & meetings                     | -                            | 1,260               | 116               | 1,255             | 120               | 2,751               | 635                     | 3,386                     | 3,994                     |
| Dues & subscriptions                       | 345                          | 665                 | 155               | 6,173             | 125               | 7,463               | 1,161                   | 8,624                     | 8,007                     |
| Repairs                                    | 496                          | 1,986               | -                 | 1,986             | 3,972             | 8,440               | 1,489                   | 9,929                     | 2,296                     |
| Insurance                                  | 2,896                        | 15,929              | 1,448             | 4,819             | 2,896             | 27,988              | 6,810                   | 34,798                    | 31,259                    |
| Specific assistance to individuals         | -                            | 242,162             | -                 | -                 | -                 | 242,162             | -                       | 242,162                   | 382,599                   |
| Interest                                   | 4,719                        | 18,886              | -                 | 18,886            | 37,772            | 80,263              | 14,164                  | 94,427                    | 20,993                    |
| Depreciation and amortization              | 3,421                        | 9,140               | -                 | 8,220             | 2,862             | 23,643              | 7,776                   | 31,419                    | 16,865                    |
| Miscellaneous                              | -                            | 95                  | -                 | -                 | -                 | 95                  | 4,220                   | 4,315                     | 6,709                     |
| <b>Total Expenses</b>                      | <b>\$ 453,414</b>            | <b>\$ 718,763</b>   | <b>\$ 167,938</b> | <b>\$ 412,494</b> | <b>\$ 242,021</b> | <b>\$ 1,994,629</b> | <b>\$ 317,741</b>       | <b>\$ 2,312,370</b>       | <b>\$ 2,051,432</b>       |

The accompanying notes are an integral part of these financial statements

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The agency 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 organization's accounting policies conform to generally accepted accounting principles, using the accrual basis of accounting.

Basis of Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profit Organizations, which requires the organization 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.

Contributions

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.

All of the organization's expenses, including expenses related to assets previously included among the temporarily restricted net assets class of accounts, are decreases in unrestricted net assets.

Contracts 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, 2007 and 2006, the organization believes all accounts receivable are fully collectible, and as such, no allowance for doubtful accounts was established.

Tax Status

The corporation is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code, and accordingly, no provision for taxes has been included in the financial statements.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Property and Equipment

The organization follows the practice of capitalizing, at cost or market value where the original cost is not known, all 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 – 5 years |
| Leasehold improvements    | 20 years    |

Exchange Transactions

The organization 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.

Functional Allocation of Expenses

The costs of providing the various programs and other supporting activities have been summarized on a functional basis in the statement of activities and in the schedule of functional expenses.

Cash and Cash Equivalents

Cash and other highly liquid investments with maturities of three months or less are considered to be cash equivalents.

The organization maintains its bank accounts in financial institutions with insurance provided by the Federal Deposit Insurance Corporation up to \$100,000. These deposits are maintained at high-quality financial institutions. At times, these deposits may exceed federally-insured limits.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2007 and 2006

2. CONTRACTS RECEIVABLE

A summary of contracts receivable as of May 31 is as follows:

|   | <u>2007</u>      | <u>2006</u>     |
|---|------------------|-----------------|
| Philadelphia Corporation for Aging        | \$ 10,446        | \$14,416        |
| Jewish Employment and Vocational Services | 10,803           | 3,641           |
| Philadelphia Workforce Development        | 52,625           | 7,438           |
| James E Beasley School of Law             | 10,000           | 10,000          |
| Immigration & Refugee Services of America | 46,970           | 46,800          |
| International Rescue Committee            | 5,329            | -               |
| Office of Refugee Resettlement            | <u>10,105</u>    | <u>10,200</u>   |
| Total                                     | <u>\$146,278</u> | <u>\$92,495</u> |

3. MARKETABLE SECURITIES

Nationalities Service Center of Philadelphia's portfolio consists of money market mutual funds in which cost and fair market value at May 31, 2007 and 2006 were \$294,669 and \$181,207, respectively.

4. CONCENTRATION OF REVENUE SOURCES

For the period ended May 31, 2007, Nationalities Service Center of Philadelphia received 10% or more of its revenue from one funding source. The Center also received a substantial amount of money from a second funding source which was, while less than 10% of overall revenue, the sole funding for one of the Center's most important programs. Grant and contract revenue received from these funding sources totaled \$507,935 or 14% of the Center's total revenue. For the period ended May 31, 2006, Nationalities Service Center of Philadelphia received 10% or more of its revenue from three funding sources. Grant and contract revenue received from these funding sources totaled \$1,240,175 or 54% of the Center's total revenue.

5. NOTE PAYABLE – BANK AND SUBSEQUENT EVENT

The board of directors authorized the sale of the existing property at 1300 Spruce Street and the purchase of an office condominium at 1216 Arch Street. In order to complete this transaction the Center entered into a \$1,462,500 credit facility with a local bank. As of May 31, 2007, \$930,000 of this facility had been utilized in the purchase of the office condominium. An additional \$458,982 was spent on the build-out of the office condominium during the fiscal year ended May 31, 2007.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2007 and 2006

5. NOTE PAYABLE – BANK AND SUBSEQUENT EVENT (Cont'd)

The sale of the property at 1300 Spruce Street was finalized at the end of the fiscal year, although the settlement date was June 13, 2007. Part of the proceeds were used to pay off the note payable in full. For financial statement purposes, the note payable balance at May 31, 2007 and 2006 was \$-0- and \$930,000, respectively.

6. PENSION PLAN

The Organization 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 December 1, 2003, the Organization adopted the revision to Statement of Financial Accounting Standards number 132R, "Employers' Disclosure about Pensions and Other Postretirement Benefits". Adoption of SFAS No. 132R did not have a material effect on the Organization's consolidated financial position, results of operations, or cash flows.

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

|                 | <u>2007</u> |       |
|-----------------|-------------|-------|
| Equity          | \$241,928   | 26.3% |
| Fixed Income    | 676,051     | 73.5% |
| General Account | 1,974       | 0.2%  |

The net pension expense for the years ended May 31, consisted of the following:

|  | <u>2007</u>     | <u>2006</u>     |
|--|-----------------|-----------------|
| Service cost – benefits earned during the period | \$62,632        | \$41,986        |
| Interest cost on projected benefit obligation    | 56,353          | 50,954          |
| Net amortization and various                     | <u>( 2,363)</u> | <u>( 2,363)</u> |
|  | 116,622         | 90,577          |
| Less: actuarial return on plan assets            | <u>(65,859)</u> | <u>(62,984)</u> |
| Net Pension Expense Per Books                    | <u>\$50,763</u> | <u>\$27,593</u> |

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2007 and 2006

6. PENSION PLAN (Cont'd)

The measurement date used to determine pension benefits is March 31 of the fiscal year for which measurements are made. The assumptions used for estimating benefit obligations and the expected rate of return on plan assets are as follows:

|   | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Weighted-average assumptions used to determine benefit obligations at:                        |             |             |
| Discount rate   | 6.0%        | 5.75%       |
| Expected long-term return on net assets   | 7.5%        | 7.5%        |
| Rate of compensation increase   | 5.0%        | 5.0%        |
| Weighted-average assumptions used to determine net periodic benefit cost for years ending at: |             |             |
| Discount rate   | 6.25%       | 6.5%        |
| Expected long-term return on net assets   | 7.5%        | 7.5%        |
| Rate of compensation increase   | 5.0%        | 5.0%        |

The expected long-term rate of return on net assets assumption of 7.5% was selected using the "building-block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27.

The following table sets forth a reconciliation of the plan's funded status at May 31:

|   | <u>2007</u>       | <u>2006</u>        |
|---|-------------------|--------------------|
| Pension benefit obligation                            |                   |                    |
| Actuarial present value of accum. benefit obligation: |                   |                    |
| Vested  | \$878,264         | \$815,999          |
| Non-vested  | <u>27,661</u>     | <u>27,870</u>      |
| Accumulated Benefit Obligation                        | <u>\$905,925</u>  | <u>\$842,869</u>   |
| Plan Assets at Fair value                             | \$919,953         | \$870,041          |
| Projected Benefit Obligation                          | <u>(986,702)</u>  | <u>(930,230)</u>   |
| Plan Assets Over Projected Benefit Obligation         | (66,749)          | (60,189)           |
| Unrecognized net loss                                 | 20,147            | 66,713             |
| Unrecognized obligation net of amortization           | <u>(12,761)</u>   | <u>(15,124)</u>    |
| Pension cost (payable) prepaid per books              | <u>\$(59,363)</u> | <u>\$ ( 8,600)</u> |

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
 NOTES TO FINANCIAL STATEMENTS  
 MAY 31, 2007 and 2006

6. PENSION PLAN (Cont'd)

The Organization contributed \$45,000 to the defined benefit pension plan during fiscal 2008. The following benefit payments reflect expected future service, as appropriate, are expected to be paid:

| <u>Fiscal<br/>Year-End</u> | <u>5/31/2007<br/>Disclosure</u> |
|----------------------------|---------------------------------|
| 2008                       | \$34,000                        |
| 2009                       | 48,000                          |
| 2010                       | 10,000                          |
| 2011                       | 106,000                         |
| 2012                       | 38,000                          |
| 2013-2017                  | 514,000                         |

7. NET ASSETS

Unrestricted Net Assets

Unrestricted net assets represent resources retained by the organization that were received without any donor-imposed restrictions. In addition, donor-restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets represents resources restricted by the donor as to time or use with the expectation that such restrictions will be satisfied in the future.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources subject to donor imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The organization has not received any such contributions.



587 Haddon Avenue  
Collingswood, NJ 08108  
Phone: (856) 858-7887  
Fax: (856) 858-1142

1845 Walnut Street, 14th floor  
Philadelphia, PA 19103  
Phone: (215) 665-3979  
Web: rbscpa.com

To: The Board of Directors  
***Nationalities Service Center of Philadelphia***  
Philadelphia, PA

Our report on our audit of the basic financial statements of ***Nationalities Service Center of Philadelphia*** for May 31, 2007 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses and the statement of federal expenditures are presented for the purposes of additional analysis and are not a required 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.

Philadelphia, PA  
November 7, 2007

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR YEAR ENDED MAY 31, 2007

| Federal Grantor/Pass-Through<br>Grantor Program Title      | Federal<br>CFDA<br>Number | Grant Period      | Expenditure       | Questioned<br>Costs |
|--|---------------------------|-------------------|-------------------|---------------------|
| <b>FEDERAL FINANCIAL AWARDS</b>                            |                           |                   |                   |                     |
| U.S. Department of Health & Human Services                 |                           |                   |                   |                     |
| Pass-through US Committee for Refugees and Immigrants:     |                           |                   |                   |                     |
| Refugee Assistance - Voluntary Agency Programs             | 93.567                    | 1/1/06 - 12/31/06 |                   |                     |
|  | 93.567                    | 1/1/07 - 12/31/07 | \$ 510,180        | \$ -                |
| Reception and Placement Program                            | 93.567                    | 10/1/05 - 9/30/06 |                   |                     |
|  | 93.567                    | 10/1/06 - 9/30/07 | 63,152            | -                   |
| Office of Refugee Resettlement                             | 93.576                    |                   | 61,465            | -                   |
| Pass-through Philadelphia Corporation for Aging            |                           |                   |                   |                     |
| Nutrition Services Program                                 | 93.045                    | 7/1/05 - 6/30/06  |                   |                     |
|  | 93.045                    | 7/1/06 - 6/30/07  | 158,514           | -                   |
| US Dept of Agriculture                                     |                           |                   |                   |                     |
| Pass-through the PA Dept of Public Welfare                 |                           |                   |                   |                     |
| SPOC/Fatherhood - 7%                                       | 10.561                    | 7/1/05 - 6/30/06  |                   |                     |
|  | 10.561                    | 7/1/06 - 6/30/07  | 6,078             | -                   |
| US Dept of HHS   |                           |                   |                   |                     |
| Pass-through the PA Dept of Public Welfare                 |                           |                   |                   |                     |
| SPOC/Fatherhood - 26%                                      | 93.558                    | 7/1/05 - 6/30/06  |                   |                     |
|  | 93.558                    | 7/1/06 - 6/30/07  | 22,577            | -                   |
| <b>TOTAL FEDERAL AWARDS</b>                                |                           |                   | <b>821,966</b>    | <b>-</b>            |
| <b>STATE FINANCIAL AWARDS</b>                              |                           |                   |                   |                     |
| PA Dept of Public Welfare                                  |                           |                   |                   |                     |
| SPOC/Fatherhood - 67%                                      |                           | 7/1/05 - 6/30/06  |                   |                     |
|  |                           | 7/1/06 - 6/30/07  | 58,179            | -                   |
| Pass-through the Jewish Employment and Vocational Services |                           |                   |                   |                     |
| Refugee Assistance Program - Refugee Social Services       |                           | 7/1/05 - 6/30/06  |                   |                     |
|  |                           | 7/1/06 - 6/30/07  | 51,022            | -                   |
| <b>TOTAL STATE AWARDS</b>                                  |                           |                   | <b>109,201</b>    | <b>-</b>            |
| <b>TOTAL FEDERAL AND STATE AWARDS</b>                      |                           |                   | <b>\$ 931,167</b> | <b>\$ -</b>         |

NATIONALITIES SERVICE CENTER OF PHILADELPHIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
MAY 31, 2007

GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal 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.

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

The accompanying Schedule of Expenditures of Federal Awards is for the year ended May 31, 2007.

NATIONALITIES SERVICE CENTER OF PHILADELPHIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended May 31, 2007

Board of Directors  
Nationalities Service Center of Philadelphia  
Philadelphia, PA

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Nationalities Service Center of Philadelphia
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Nationalities Service Center of Philadelphia were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Nationalities Service Center of Philadelphia expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for Nationalities Service Center of Philadelphia.
7. The programs tested as major programs included:

|  |        |
|--|--------|
| Refugee Assistance Voluntary Agency Programs | 93.567 |
|--|--------|
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Nationalities Service Center of Philadelphia did qualify as a low risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - major Federal Award Programs Audit

None



587 Haddon Avenue  
Collingswood, NJ 08108  
Phone: (856) 858-7887  
Fax: (856) 858-1142

1845 Walnut Street, 14th floor  
Philadelphia, PA 19103  
Phone: (215) 665-3979  
Web: rbscpa.com

Independent Auditors' Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

To: The Board of Directors  
Nationalities Service Center of Philadelphia  
Philadelphia, Pennsylvania

We have audited the financial statements of Nationalities Service Center of Philadelphia as of and for the year ended May 31, 2007 and have issued our report thereon dated November 7, 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 Nationalities Service Center of Philadelphia'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*. We have noted certain immaterial instances of noncompliance, which we have reported to management of Nationalities Service Center in a separate letter dated November 15, 2007.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nationalities Service Center of Philadelphia'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 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 to be material weaknesses.

This report is intended for the information and use of the board of trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Philadelphia, PA  
November 7, 2007



587 Haddon Avenue  
Collingswood, NJ 08108

Phone: (856) 858-7887  
Fax: (856) 858-1142

1845 Walnut Street, 14th floor  
Philadelphia, PA 19103

Phone: (215) 665-3979  
Web: rbscpa.com

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  
Nationalities Service Center of Philadelphia  
Philadelphia, Pennsylvania

We have audited the compliance of Nationalities Service Center of Philadelphia (NSC) 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 each of its major federal programs for the year ended May 31, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of NSC's management. Our responsibility is to express an opinion on NSC's compliance based on our audit.

Compliance

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 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 NSC'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. Our audit does not provide a legal determination based on NSC's compliance with those requirements.

In our opinion, NSC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2007.

### Internal Control Over Compliance

The management of NSC 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 NSC'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 internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Philadelphia, PA  
November 7, 2007