

COMBINED FINANCIAL STATEMENTS

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY
HEALTH CENTER, INC.**

*Year Ended June 30, 2017
with Independent Auditors' Reports*

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Contents

Independent Auditors' Report	2
Combined Financial Statements	
Combined Statements of Financial Position	4
Combined Statements of Activities	5
Combined Statements of Functional Expenses	6
Combined Statements of Cash Flow	7
Notes to Financial Statements	8

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Asian Human Services, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Asian Human Services, Inc. (the Agency) and affiliate, which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Asian Human Services, Inc. (the Agency) and affiliate as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Agency's and affiliate's 2016 financial statements, and our report dated February 7, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the financial statements from which it has been derived

A handwritten signature in black ink that reads "Wong & Knowles". The script is fluid and cursive, with the ampersand being particularly stylized.

Elmhurst, Illinois
December 29, 2017

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.**

COMBINED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 1,080,863	\$ 878,576
Cash held for investment	-	500,000
Investments, Fair Value	2,567,986	97,014
Accounts and grants receivable, net of \$1,340,097 of allowance for 2017 and \$744,128 for 2016	2,726,941	1,641,278
Prepaid expenses and security deposits	119,272	84,955
Construction Work in Progress	-	364,605
Land	1,867,945	1,867,945
Buildings	6,145,957	6,141,977
Furniture and equipment	2,226,044	1,814,815
Leasehold improvements	2,971,511	1,565,725
Accumulated depreciation	<u>(3,649,715)</u>	<u>(3,107,931)</u>
TOTAL ASSETS	<u>\$ 16,056,804</u>	<u>\$ 11,848,959</u>
 <u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,185,168	\$ 346,098
Notes payable	2,972,728	3,150,667
Other long term liabilities	<u>184,499</u>	<u>184,499</u>
TOTAL LIABILITIES	<u>\$ 4,342,395</u>	<u>\$ 3,681,264</u>
 <u>NET ASSETS</u>		
Unrestricted	\$ 11,670,347	\$ 8,141,965
Temporarily restricted	<u>44,062</u>	<u>25,730</u>
TOTAL NET ASSETS	<u>\$ 11,714,409</u>	<u>\$ 8,167,695</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,056,804</u>	<u>\$ 11,848,959</u>

See accompanying notes to financial statements

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.**

COMBINED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

<u>SUPPORT:</u>	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Government contracts	\$ 11,578,778	\$ 20,729	\$ 11,599,507	\$ 10,910,859
Patient service revenue, net	4,734,509	-	4,734,509	3,923,398
Food service income	63,883	-	63,883	52,509
Contributions:				
Individuals and Corporate	10,231	-	10,231	46,372
Foundations	383,350	40,000	423,350	533,191
Interest and investment income, net of fees	29,400	-	29,400	2,692
Unrealized gain or (loss) on investments	1,570	-	1,570	-
Program service fees and other	<u>714,659</u>	<u>-</u>	<u>714,659</u>	<u>476,389</u>
	17,516,380	60,729	17,577,109	15,945,410
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>42,397</u>	<u>(42,397)</u>	<u>-</u>	<u>-</u>
Total Support	<u>\$ 17,558,777</u>	<u>\$ 18,332</u>	<u>\$ 17,577,109</u>	<u>\$ 15,945,410</u>
<u>EXPENSES:</u>				
Program Services	\$ 16,215,593	\$ -	\$ 16,215,593	\$ 14,824,070
Support Services:				
Management and General	680,129	-	680,129	766,435
Fund Raising	<u>46,816</u>	<u>-</u>	<u>46,816</u>	<u>86,437</u>
Total Expenses	<u>16,942,538</u>	<u>-</u>	<u>16,942,538</u>	<u>15,676,942</u>
Change in net assets before other income	\$ 616,239	\$ 18,332	634,571	268,468
<u>OTHER INCOME AND EXPENSES</u>				
Health Center Capital Grant	572,292	-	572,292	198,840
Other Investment Income	<u>2,339,851</u>	<u>-</u>	<u>2,339,851</u>	<u>500,000</u>
Change in net assets	<u>\$ 3,528,382</u>	<u>\$ 18,332</u>	3,546,714	967,308
Net assets at beginning of year			<u>8,167,695</u>	<u>7,200,387</u>
Net assets at end of year			<u>\$ 11,714,409</u>	<u>\$ 8,167,695</u>

See accompanying notes to financial statements

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.**

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Support Services			2017	2016
		Management and General	Fund Raising	Total		
Salaries and fringe benefits	\$ 10,478,788	\$ 685,218	\$ -	\$ 685,218	\$ 11,164,006	\$ 10,509,773
Professional services	1,320,818	268,144	43,750	311,894	1,632,712	1,107,554
Space sharing	698,199	45,809	-	45,809	744,008	661,669
Telecommunication	306,167	2,077	-	2,077	308,244	216,673
Office and instructional supplies	395,960	7,959	1,078	9,037	404,997	511,126
Lab and medical testing	746,939	-	-	-	746,939	584,778
Insurance	124,965	3,650	-	3,650	128,615	113,742
Client Services - transportation and assistance	320,390	-	-	-	320,390	281,739
Staff conferences, travel and development	107,454	11,737	-	11,737	119,191	89,965
Memberships and public relations	70,447	10,162	1,819	11,981	82,428	64,603
Utilities	112,531	-	-	-	112,531	99,157
Maintenance and housekeeping	299,273	828	-	828	300,101	321,240
Management fees	99,462	174	-	174	99,636	329,208
Miscellaneous and others	57,284	20,344	169	20,513	77,797	97,220
Contributed goods and services	-	-	-	-	-	28,000
Allocation of management and general expenses	<u>417,651</u>	<u>(417,651)</u>	<u>-</u>	<u>(417,651)</u>	<u>-</u>	<u>-</u>
Total expenses before Depreciation and Amortization	15,556,328	638,451	46,816	685,267	16,241,595	15,016,447
Interest Expense	129,444	29,715	-	29,715	159,159	155,349
Depreciation and Amortization	<u>529,821</u>	<u>11,963</u>	<u>-</u>	<u>11,963</u>	<u>541,784</u>	<u>505,146</u>
Total expenses	<u>\$ 16,215,593</u>	<u>\$ 680,129</u>	<u>\$ 46,816</u>	<u>\$ 726,945</u>	<u>\$ 16,942,538</u>	<u>\$ 15,676,942</u>

See accompanying notes to financial statements

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.**

COMBINED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,546,714	\$ 967,308
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	541,784	505,146
(Increase) decrease in operating assets		
Investments	(2,470,972)	(1,558)
Cash held for investment	500,000	(500,000)
Accounts and Grant receivable	(1,085,663)	530,491
Prepaid expenses	(34,317)	(25,754)
Other investments	-	75,113
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	<u>839,070</u>	<u>(434,891)</u>
Net Cash Provided (Used) By Operating Activities	<u>1,836,616</u>	<u>1,115,855</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of furniture & equipment	(411,229)	(96,995)
Construction work in progress	364,605	(343,092)
Building, real estate acquisition and improvements	(3,980)	(14,810)
Leasehold improvement	<u>(1,405,786)</u>	<u>(121,619)</u>
Net Cash Provided (Used) By Investing Activities	<u>(1,456,390)</u>	<u>(576,516)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Additional financing	286,813	113,187
Repayment of loans and other liabilities	<u>(464,752)</u>	<u>(225,556)</u>
Net Cash Provided (Used) By Financing Activities	<u>(177,939)</u>	<u>(112,369)</u>
NET INCREASE (DECREASE) IN CASH	202,287	426,970
CASH, beginning of year	<u>878,576</u>	<u>451,606</u>
CASH, end of year	<u>\$ 1,080,863</u>	<u>\$ 878,576</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 159,159</u>	<u>\$ 155,349</u>

See accompanying notes to financial statements

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Organization

Asian Human Services, Inc. (the Agency), an Illinois corporation, was incorporated on May 11, 1978. Its mission is to provide client-centered, quality and compassionate services to Asian immigrants and other under-served communities so that they can fully participate in society, prosper and thrive. The Agency identifies issues, needs and problems affecting the Pan-Asian and other communities and addresses them through direct services and community education covering both children and adults as follows: a charter grade school, mental health services, community health services, literacy and employment programs.

The Agency established Passages Charter School (the School) in 2000. The School's current charter expires on June 30, 2023, and is operating as a division of the Agency. Effective July 2014, the charter agreement was amended to increase student enrollment from 410 to 460 students.

During 2010, the Agency formed PIPAL, NFP, (PIPAL) a wholly owned subsidiary governed by a separate Board of Directors to hold and manage all real estate assets owned by the Agency.

The Agency incorporated Asian Human Services Family Health Center, Inc. (the Center), an Illinois corporation, in 2001. The Center is a certified Federally Qualified Health Center since 2003. Its mission is to increase access to primary care for underserved and underprivileged communities living on the north side of Chicago and the suburbs. The Center operates four clinics during fiscal year 2017 providing services for common health problems such as the flu, diabetes, high blood pressure, high cholesterol, etc. Other basic health services performed include routine physical exams, well child services, immunization against vaccine-preventable diseases, OB/GYN and dental services. The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grant to comply with specified conditions and program requirements set forth by the grantor.

The combined financial statements include the accounts of the Agency, School, PIPAL, and the Center. All intercompany transactions and balances between and among the entities have been eliminated.

2. Summary of Significant Accounting Policies

Cash

For purposes of the Statements of Cash Flow, cash includes currency on hand, and demand deposits. The Center maintains its primary bank accounts with one financial institution. Part of the accounts is not covered by insurance provided by the federal government. It is the opinion of the management that the solvency of the financial institution is not of concern at this time..

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies (continue)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of securities with original maturities of twelve months or less. Long-term investments consist of securities with original maturities greater than twelve months.

The Center accounts for its other investments in related healthcare ventures using the equity method of accounting.

Building Property and Equipment

Building, property and equipment are carried at cost. All purchases in excess of \$5,000 are capitalized, while lesser amounts are charged to expense. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease. Depreciation on furniture and equipment depreciation ranges from three to five years.

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 or permanently restricted support that increases those net asset classes. 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.

Contributed Services

Many unpaid volunteers have made significant contributions of their time to develop the Agency's programs. The value of the contributed time by volunteers and other contributed resources is not reflected in these financial statements since they do not meet the criteria for recognition as contributed services.

Revenue Recognition

Patient service revenue is reported as the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient service revenue is recorded at published charges with contractual allowances deducted to arrive at net patient service revenue.

Revenue from government grants designated to be used in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies (continue)

Reserve for Accounts and Grants Receivable

The Agency uses the allowance method to determine uncollectible accounts and grants receivable. The allowance is based on prior year's experience and management's analysis of specific accounts or grants.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with U.S. 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.

Income Taxes

The Agency and affiliate are exempt from Federal income taxes on related income under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made in the accompanying financial statements for income taxes. The Agency's and affiliate's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ended June 30, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not detail changes in net assets by category for fiscal year 2016. Accordingly, such information should be read in conjunction with the Agency's and the Center's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Certain amounts reported in 2016 have been reclassified to conform with the 2017 presentation. Such reclassification has no effect on reported income.

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. Restrictions on Net Assets

Substantially all of the restrictions on the temporarily restricted net assets during the year ended June 30, 2017 relate to program advance payments. As program conditions are met, temporarily restricted net assets are reclassified to unrestricted net assets.

4. Patient Accounts Receivable

Patient accounts receivable are reported at their outstanding unpaid balances and reduced by an allowance for doubtful accounts and by contractual allowances. The Center estimates doubtful accounts and contractual allowances based on historical collection rates by patient financial class (e.g. Private Insurance, Medicaid, etc.), factors related to specific payor's ability to pay, and current economic trends. The Center writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Patient Accounts Receivable consists of:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Medicaid	\$ 1,505,583	\$ 411,349
Medicare	78,280	33,501
Private Insurance and Self-pay	<u>252,603</u>	<u>349,909</u>
Subtotal	1,836,466	\$ 794,759
Allowance for Doubtful Accounts	<u>(1,152,285)</u>	<u>(527,906)</u>
Total	<u><u>684,161</u></u>	<u><u>\$ 221,853</u></u>

As of June 30, 2017 approximately 75% of total allowance relates to Medicaid receivables, 4% to Medicare receivables, and 18% to private insurance companies, and 3% to self-pay patients.

5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency and Center value investments using a hierarchy of valuation input based on the extent to which the inputs are observable in the market place. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Agency and Center use appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency and Center measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. As of June 30, 2017, the fair value of the Center's investments in publicly traded issues was \$2,470,899 and the Agency's investments in money market funds was \$97,060 using level 1 input.

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. Other Investments

Together4Health

The Center was a non-controlling member in Together4Health, LLC (T4H), an Illinois Limited Liability Company. T4H was created on October 26, 2012 as a Care Coordination Entity (CCE) as defined in the State of Illinois statutes. Its mission was to be a regional community health home safety network that supports vulnerable people including those living with chronic and multiple medical, mental health and substance use conditions, people living in poverty, people experiencing homelessness, the unemployed and underemployed, and those with limited access to services due to cultural or language barriers. T4H was dissolved during fiscal year ended June 30, 2016.

MyCare Chicago

The Center is also a non-controlling (11.11%) equity member in Accountable Care Chicago, LLC (the Company), an Illinois Limited Liability Company, dba MyCare Chicago. The Company was formed to serve as an Accountable Care Entity (ACE) in accordance with the criteria established by the Illinois Department of Healthcare and Family Services. The mission of the Company is to develop an integrated delivery system, share clinical information, and design and implement a model of care and financial management that provides improved health outcomes to the Medicaid population. MyCare Chicago's Medicaid managed care business was acquired by Molina Healthcare of Illinois (Molina). At that time, the MyCare Chicago began the dissolution process returning the Center's original capital contribution on August 31, 2015. Additional distributions from sales proceeds of \$500,000 were received in January, 2016 and \$2,339,851 was received in fiscal year 2017. Due to limited ongoing business arrangements, MyCare Chicago has decided to complete dissolution and make final distributions by 2020.

7. Equipment and Facilities

On September 3, 2013, the Center opened a new clinic at 2505 West Peterson Avenue, Chicago, Illinois. The approximately 8,000 square foot facility provides medical and dental services as a look-a-like facility as designated by the U.S. Department of Health and Human Services. The facility was capitalized in the approximate amount of \$2.7 million.

On March 26, 2014, Pipal, NFP, a wholly owned subsidiary of AHS, acquired a property located at 8800 Lockwood Drive, Skokie, Illinois and entered into a space sharing agreement with the Center to provide medical and dental services to the local area under the terms of a new access point provided to the Center by the U. S. Department of Health and Human Services. The facility is 6,200 square feet and opened on April 1, 2014.

In April 2015, the Center leased a new facility in Niles to provide medical services.

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. Commitments and Contingencies

The Agency and the Center receive support from the federal, state and local government, which are subject to the audit of various government agencies. Upon audit, if discrepancies are found, the Agency and the Center could be held responsible for refunding the amounts in question.

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

As of June 30, 2017, the Agency reserved \$184,499 as a contingent liability to the Illinois Department of Human Services resulting from changes in the terms of the fiscal year 2010 mental health contract.

The Agency and the School rent their office and program space under the terms of leases with various expiration dates. Annual base rent excluding space sharing in subsequent fiscal years is summarized as follows:

	<u>Agency</u>	<u>School</u>	<u>Total</u>
Fiscal Year 2018	248,308	435,089	683,397
Fiscal Year 2019	172,327	-	172,327
Fiscal Year 2020	<u>86,712</u>	<u>-</u>	<u>86,712</u>
	<u>\$ 507,347</u>	<u>\$ 435,089</u>	<u>\$ 942,436</u>

The term of the School's lease was five years with three additional five-year renewal options. The Agency has exercised its option to extend the second five-year renewal period beginning July 1, 2018 through June 30, 2023, subject to mutual agreement with the Archdiocese of Chicago on funding of required American for Disability Act and other critical building capital improvements. The School's lease includes required improvements to the facility to be completed at an agreed upon future date, estimated at a total cost of \$1,292,804. The payment of these improvements is the sole responsibility of the tenant (the School) as the rent shown above is net of a partial rebate from the Archdiocese to cover the cost of these improvements. The Agency continues to make capital improvements each year and has completed 75% of the improvements agreed upon as of June 30, 2017.

On July 7, 2016, American Quality Schools (AQS), the manager of the School, and the Agency entered into an agreement to mutually terminate the management contract prior to its expiration date. Under the management contract, AQS charged the School a management fee calculated at 6% of State Revenue to the School other than revenues such as Title I, special education, gifted and talented, or other fundings that by terms of state or federal legislation or regulation, may only be used for direct services to students who qualify for (or whose status enables the School to qualify for) receipts of such funds. For the fiscal year ended June 30, 2016, AQS management fees amounted to \$177,296.

The terms of the agreement to terminate are confidential, and the Agency began managing the operations of the School in fiscal year 2017.

Other Long-Term Commitments: The Agency entered into an agreement with 1635 Education Inc. ("1635") on August 11, 2017 to provide educational services, including but not limited to curriculum development and instructional oversight of the School. The agreement extends for five (5) years through June 30, 2022. Under the terms of the agreement, 1635 charges the School an annual fee calculated at 9% of General Education Revenue and General Fund proceeds received the Agency.

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

9. Notes payable

	<u>6/30/2017</u>	<u>6/30/2016</u>
Note Payable at 3.11% and adjustable every five years, monthly payment of \$4,590 and matures on March 1, 2021	\$ 194,731	\$ 242,942
Note Payable at 2.89% and adjustable every five years, monthly payment of \$5,614 and matures on February 1, 2021	233,245	292,915
Note Payable at 5.5% and adjustable every five years, monthly payment of \$3,767 and matures in January 2025	275,080	303,503
Note Payable at 5.375% and adjustable every five years, monthly payment of \$3,242 and matures on December 1, 2031	-	113,187
Note Payable at 5.375% and adjustable every five years, monthly payment of \$5,268 and matures on April 1, 2029	552,615	585,172
Notes Payable at 5%, monthly payment of \$6,968 and matures on December 1, 2017	1,064,085	1,093,629
Note Payable at 6.88% with a monthly payment of \$1,537 for 36 months and matures on December 1, 2017	2,972	19,319
Note Payable at 5.265%, monthly payment of \$2,624 and matures on July 1, 2024	150,000	-
Agency revolving line of credit at prime plus 1%	<u>500,000</u>	<u>500,000</u>
Total	<u>\$ 2,972,728</u>	<u>\$ 3,150,667</u>

Interest amounted to \$159,159 and \$155,349 in 2017 and 2016 respectively all of which was expensed. The Notes Payable is secured by the Agency's and the Center's business assets, real estate and guarantees.

Future annual principal and interest payments for each fiscal year are as follows:

June 30, 2018	\$ 1,845,838
June 30, 2019	256,084
June 30, 2020	256,084
June 30, 2021	219,856
June 30, 2022	133,629
Thereafter	<u>600,891</u>
Total	<u>\$ 3,312,382</u>

During FY2017, the Agency and the Center have lines-of-credit with a maximum borrowing limit of \$950,000 and \$550,000 respectively. They mature on November 17, 2017 and bear interest at the bank's prime rate plus 1% with an interest rate floor of 5%. Advances under the lines are limited to 80% of the grant and contract receivables. The Agency and the Center expect to renew the line of credit for an additional year under similar terms. As of June 30, 2017, the Agency has an outstanding balance of \$500,000 on the line-of-credit.

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

10. Government Contracts Support

The Statement of Activities reflects the organization or government entity who manages the contracts or grants. The following summary reflects the origin of the funds. Of the total 2017 government contracts support, \$1,284,089 was received from the Illinois Department of Human Services, \$3,663,067 was received from the federal Health and Human Services and \$4,929,328 was received from the Chicago Public Schools. Loss of funding from these sources would require the Agency to seek additional revenue or secure new grants in order to continue to provide its current level of services.

<u>Federal Contracts</u>	<u>2017</u>	<u>2016</u>
Pass-through from City of Chicago:		
Department of Family and Support Services		
Child Care Services for Immigrant Families	\$ 87,761	\$ 111,544
Department of Public Health		
Ryan White Services	60,805	-
Housing Opportunities for Persons with AIDS	80,269	88,276
CDBG - Family Violence Prevention	50,323	50,666
Food Program for Women, Infant & Children - FHC	272,611	227,820
Chicago Public Schools		
Title I	278,540	153,480
Title II	35,833	36,698
Title III	15,382	23,631
Pass-through from Illinois Department of Human Services:		
Employment Services for Disabled FSS	148,219	197,740
Mental Health	136,001	135,715
Donated Funds Initiative Title XX	110,050	110,050
Workfirst, Earnfare, Job Placement & Retention	427,000	515,182
Americorp	-	169,682
SNAP	95,603	-
Pass-through from Illinois Department of Public Health		
HOPWA (HIV)	91,212	93,898
Americorp	159,225	-
Ryan White Care Services	-	68,576
Consolidated Health Centers - FHC	362,441	322,133
Passthrough from Illinois State Board of Education		
Child and Adult Care Food Program	38,292	32,197
Pass-through from Illinois Community College Board		
Adult Education and Family Literacy	134,560	168,554
Pass-through from Village of Skokie	45,000	-
Pass-through from United Way Metropolitan Chicago		
Emergency Food and Shelter Program	-	5,000
Pass-through from IL Dept of Commerce & Economic Opportunity		
SNAP Employment and Training Pilot	79,975	48,997
Pass-through Chicago Cook Workforce Partnership		
WIA Youth	167,389	234,385
Direct from U.S. Department of Health and Human Services		
Consolidated Health Centers - FHC	<u>3,663,067</u>	<u>3,183,655</u>
Total Federal Contracts	<u>\$ 6,539,558</u>	<u>\$ 5,977,879</u>

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

10. Government Contracts Support (Continue)

<u>State Contracts</u>	<u>2017</u>	<u>2016</u>
Illinois Department of Human Services		
Day Care Action for Children	197,157	66,826
SNAP	18,403	-
CTEP Community Youth Employment	151,656	-
Aids Foundation of Chicago		
Office of Rehabilitation Services	160,089	178,540
Illinois Department of Public Health		
Center for Minority Health Services	29,319	29,978
Center for Minority Health - Breast & Cervical Cancer	22,212	7,438
Hepatitis B Outreach	50,783	48,910
Illinois Wise Woman - FHC	44,790	-
Ticket for Cure - FHC	17,395	17,605
Breast and Cervical Cancer - FHC	200,205	114,714
Tobacco Settlement - FHC	14,271	6,250
Illinois Community College Board - Adult Education	274,616	225,095
Illinois Secretary of State - Family Literacy	<u>35,000</u>	<u>35,000</u>
Total State Contracts	<u>1,215,896</u>	<u>730,356</u>
<u>Local Contracts and Awards</u>		
CPS Community Partnership Program	131,400	131,400
CPS - Other	223,640	150,500
Chicago Department of Public Health - HIV Prevention	99,375	98,979
CDBG - Youth Grant	40,054	27,834
Nile Township	12,000	-
CPS - Passages Charter School	<u>4,244,533</u>	<u>4,302,508</u>
Total Local Contracts	<u>4,751,002</u>	<u>4,711,221</u>
Total Government Contracts	\$ <u>12,506,456</u>	\$ <u>11,419,456</u>

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

11. Qualified Retirement Plan

The Agency and the Center have a defined-contribution retirement plan, which covers all eligible employees. Participants can contribute up to 15% of eligible compensation on a pretax basis. As of March 1, 2009, the Agency and the Center suspended its matching contributions.

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (Fund), a defined benefit plan. Members of the Fund include all active nonannuitants who are employed by a Fundcovered employer to provide services for which teacher certification is required. The State of Illinois appropriates public contributions to the Chicago Public Schools, which remit those contributions to the Fund as applicable employer contributions.

For the year ended June 30, 2017, the employer contributions were 11.16% of estimated pensionable salaries of \$1,390,267. 2017 pension expense of \$155,154 is net of the estimated true-up amount of \$18,301 receivable from CPS. For the year ended June 30, 2016, the employer contributions were 11.16% of pensionable salaries of \$1,589,130. 2016 pension expense amounted was adjusted in 2017 to \$141,872 reflecting actual true-up amount of \$28,153 received from CPS in fiscal year 2017. The employer contributions amount in 2016 included \$3,125 attributable to the special education clinician inkind contributed services.

Eligible employees were also required to contribute 9% of their pensionable salaries. As a benefit to the employees with greater than one year of continuous employment, the School paid a portion of the employee contribution. This amounted to \$15,864 and \$5,287 for the year ended June 30, 2017 and June 30, 2016 respectively

12. Evaluation of Subsequent Events

The Agency has evaluated subsequent events through December 29, 2017 which is the date financial statements were available to be issued.

The Agency has entered into an agreement with Oracle Corporation to implement a new accounting system to replace the current accounting system. Annual license fees are \$40,000. The new system is expected to be operational on July 1, 2018, with estimated implementation cost of \$40,000.

Subsequent to year end, the agency refinanced the Notes Payable with Brideview Bank under substantially similar terms through December 1, 2022. In addition the agency renewed its line of credit for an additional year and converted the current balance to a note payable due on November 17, 2024. The line of credit limit increased to \$1,450,000, with no outstanding balance as of December 29, 2017.