

Assurance

ASIAN HUMAN SERVICES, INC.

Audited Consolidated Financial Statements and Report and Schedules Required by the Uniform Guidance and The Illinois Grant Accountability and Transparency Act

Years Ended June 30, 2022 and 2021

LOCAL
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EXPERTISE

ASIAN HUMAN SERVICES, INC.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Asian Human Services, Inc. (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Human Services, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Asian Human Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Asian Human Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Asian Human Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Asian Human Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Consolidated Year-End Financial Report as required by the Illinois Grant Accountability and Transparency Act are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of Asian Human Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Asian Human Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asian Human Services, Inc.'s internal control over financial reporting and compliance.

PKF Mueller

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Assets:		
Cash and cash equivalents	\$ 2,053,881	1,194,914
Accounts receivable, net	166,500	447,330
Unconditional promises to give	1,589,713	1,389,406
Employee Retention Credit receivable	828,975	-
Related party receivable	-	298,070
Prepaid expenses	94,241	32,661
Deferred rent asset	276,294	578,059
Security deposits	52,303	52,303
Property and equipment, net	10,377,551	10,622,586
Total assets	\$ 15,439,458	14,615,329

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 593,498	218,012
Accrued expenses	416,631	329,566
Deposits	49,465	49,465
Refundable advances	243,261	60,602
Deferred rent liability	1,042,916	803,170
Deferred lease incentive	148,996	143,386
Line of credit	1,450,000	-
Notes payable	5,138,919	5,466,005
Claim settlement liability	612,642	-
Paycheck Protection Program loan	-	1,670,868
Total liabilities	9,696,328	8,741,074
Net assets:		
Without donor restrictions	5,743,130	5,874,255
Total liabilities and net assets	\$ 15,439,458	14,615,329

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Support and revenue:		
Government grants and contracts	\$ 5,857,516	8,193,673
Behavioral health revenue	837,958	880,750
Chicago Public Schools	5,062,205	4,703,332
Food service income	457,680	119,088
Contributions	420,357	422,240
Interest income	82	582
Space sharing and program service fees	687,441	893,064
In-kind contributions	75,106	-
Gain on forgiveness of Paycheck Protection Program loans	1,670,868	1,670,868
Employee Retention Credit grant	<u>828,975</u>	<u>-</u>
Total support and revenue	<u>15,898,188</u>	<u>16,883,597</u>
Expenses and losses:		
Program services:		
Behavioral health	1,662,646	1,711,846
Community health	438,709	311,254
Workforce development	1,197,730	1,786,092
Literacy Education for Adults and Families	838,370	1,170,546
Passages Charter School	7,686,018	7,156,472
PIPAL	<u>328,237</u>	<u>276,667</u>
Total program services	<u>12,151,710</u>	<u>12,412,877</u>
Support services:		
Management and general	1,952,942	2,437,891
Fundraising	<u>392,092</u>	<u>88,737</u>
Total supporting services	<u>2,345,034</u>	<u>2,526,628</u>
Total expenses	14,496,744	14,939,505
Loss on settlement	<u>1,532,569</u>	<u>-</u>
Total expenses and losses	<u>16,029,313</u>	<u>14,939,505</u>
Change in net assets	(131,125)	1,944,092
Net assets without donor restrictions, beginning of year	<u>5,874,255</u>	<u>3,930,163</u>
Net assets without donor restrictions, end of year	<u>\$ 5,743,130</u>	<u>5,874,255</u>

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES						SUPPORTING SERVICES				TOTAL EXPENSES
	BEHAVIORAL HEALTH	COMMUNITY HEALTH	WORKFORCE DEVELOPMENT	LEAF	PASSAGES	PIPAL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	
Salaries	\$ 983,812	304,743	898,248	475,281	3,725,320	-	6,387,404	865,373	262,572	1,127,945	7,515,349
Payroll taxes and fringes	199,456	54,787	122,155	87,624	826,266	-	1,290,288	128,488	39,321	167,809	1,458,097
Total salaries, payroll taxes, and fringes	1,183,268	359,530	1,020,403	562,905	4,551,586	-	7,677,692	993,861	301,893	1,295,754	8,973,446
Professional services	193,960	36,294	82,174	90,072	1,126,493	46,162	1,575,155	367,122	-	367,122	1,942,277
Property services	87,474	15,933	36,992	61,078	421,657	-	623,134	410,550	3,259	413,809	1,036,943
Transportation services	313	53	15,984	3,043	162,982	-	182,375	41	300	341	182,716
Memberships and public relations	1,000	-	1,350	13	20,807	-	23,170	356	24,860	25,216	48,386
Advertising	-	-	1,000	-	9,439	-	10,439	-	7,500	7,500	17,939
Printing and copying	14,122	2,268	7,899	7,366	40,538	-	72,193	89,820	1,013	90,833	163,026
Utilities	7,155	1,117	2,750	3,707	128,160	-	142,889	-	257	257	143,146
Insurance	16,489	2,578	7,890	10,005	78,078	-	115,040	7,862	1,182	9,044	124,084
Other purchased services	85	1,857	7,556	9,311	7,074	-	25,883	146	-	146	26,029
Supplies and materials	5,251	3,013	7,934	62,273	438,048	-	516,519	3,915	9,904	13,819	530,338
Bank charges and fees	-	104	-	-	507	500	1,111	7,188	398	7,586	8,697
Bad debt	128,729	15,962	-	2,494	9,582	-	156,767	-	-	-	156,767
Miscellaneous	7	-	-	-	105,785	-	105,792	-	477	477	106,269
Total expenses before interest, depreciation and amortization	1,637,853	438,709	1,191,932	812,267	7,100,736	46,662	11,228,159	1,880,861	351,043	2,231,904	13,460,063
Interest expense	-	-	-	-	141,489	150,497	291,986	-	41,049	41,049	333,035
Depreciation and amortization	24,793	-	5,798	26,103	443,793	131,078	631,565	72,081	-	72,081	703,646
Total expenses	\$ 1,662,646	438,709	1,197,730	838,370	7,686,018	328,237	12,151,710	1,952,942	392,092	2,345,034	14,496,744

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES						SUPPORTING SERVICES				TOTAL EXPENSES
	BEHAVIORAL HEALTH	COMMUNITY HEALTH	WORKFORCE DEVELOPMENT	LEAF	PASSAGES	PIPAL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	
Salaries	\$ 1,124,495	219,972	970,926	686,078	3,353,482	-	6,354,953	755,117	43,315	798,432	7,153,385
Payroll taxes and fringes	209,369	35,856	145,803	127,208	698,969	-	1,217,205	96,917	10,679	107,596	1,324,801
Total salaries, payroll taxes, and fringes	1,333,864	255,828	1,116,729	813,286	4,052,451	-	7,572,158	852,034	53,994	906,028	8,478,186
Professional services	174,650	28,248	291,727	97,787	1,029,039	56,635	1,678,086	768,845	12,007	780,852	2,458,938
Property services	68,179	16,925	93,839	112,742	649,196	-	940,881	525,817	3,533	529,350	1,470,231
Transportation services	62	-	13,127	7	54	-	13,250	-	-	-	13,250
Memberships and public relations	4,368	-	585	1,496	32,781	-	39,230	27,722	-	27,722	66,952
Advertising	18,041	1,950	17,095	-	8,515	-	45,601	7,500	180	7,680	53,281
Printing and copying	8,356	1,642	10,801	18,447	33,667	-	72,913	4,909	646	5,555	78,468
Utilities	3,863	800	5,720	15,062	52,819	-	78,264	14	88	102	78,366
Insurance	17,362	4,240	14,334	15,569	77,004	-	128,509	3,664	529	4,193	132,702
Other purchased services	4,034	336	136,886	1,880	681	200	144,017	1,140	-	1,140	145,157
Supplies and materials	5,890	1,285	78,884	67,301	456,031	-	609,391	63,083	17,220	80,303	689,694
Bank charges and fees	-	-	-	-	194	1,700	1,894	6,187	540	6,727	8,621
Bad debt	48,384	-	-	-	70,183	-	118,567	53	-	53	118,620
Miscellaneous	-	-	567	-	135,136	-	135,703	34,497	-	34,497	170,200
Total expenses before interest, depreciation and amortization	1,687,053	311,254	1,780,294	1,143,577	6,597,751	58,535	11,578,464	2,295,465	88,737	2,384,202	13,962,666
Interest expense	-	-	-	-	136,716	87,068	223,784	70,345	-	70,345	294,129
Depreciation and amortization	24,793	-	5,798	26,969	422,005	131,064	610,629	72,081	-	72,081	682,710
Total expenses	\$ 1,711,846	311,254	1,786,092	1,170,546	7,156,472	276,667	12,412,877	2,437,891	88,737	2,526,628	14,939,505

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash provided (used) by operating activities:		
Change in net assets	\$ (131,125)	1,944,092
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	703,646	682,710
Grants received for acquisition of long-lived assets	-	(306,197)
Gain on forgiveness of Paycheck Protection Program loan	(1,670,868)	(1,670,868)
Changes in:		
Accounts receivable, net	280,830	(158,816)
Unconditional promises to give	(200,307)	392,484
Employee Retention Credit receivable	(828,975)	-
Prepaid expenses	(61,580)	(1,624)
Deferred rent	541,511	310,480
Security deposits	-	8,001
Accounts payable	375,486	(192,100)
Accrued expenses	87,065	78,721
Refundable advances	182,659	(170,246)
Deferred lease incentive	5,610	143,386
Claim settlement liability	612,642	(184,499)
Net cash provided (used) by operating activities	(103,406)	875,524
Cash used by investing activities:		
Purchases of property and equipment	(458,611)	(2,096,687)
Cash provided (used) by financing activities:		
Proceeds from related party	298,070	-
Payments to related party	-	(355,092)
Proceeds from notes payable	170,399	1,631,605
Payments on notes payable	(497,485)	(367,524)
Proceeds on line of credit	1,450,000	-
Payments on line of credit	-	(800,000)
Proceeds from Paycheck Protection Program loan	-	1,670,868
Grants received for acquisition of long-lived assets	-	306,197
Net cash provided by financing activities	1,420,984	2,086,054
Net increase in cash and cash equivalents	858,967	864,891
Cash and cash equivalents, beginning of year	1,194,914	330,023
Cash and cash equivalents, end of year	\$ 2,053,881	1,194,914

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Noncash financing transaction:		
Gain on forgiveness of Paycheck Protection Program loan	<u>\$ 1,670,868</u>	<u>1,670,868</u>
Other cash flow information:		
Interest paid	<u>\$ 333,035</u>	<u>294,129</u>

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS

Asian Human Services, Inc. (AHS), 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 underserved communities so that they can fully participate in society, prosper, and thrive. AHS identifies issues, needs, and problems affecting the Pan-Asian and other minority 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, and literacy and employment programs.

AHS established Asian Human Services Passages Charter School (School) in the year 2000 as a division of AHS. The School's current charter issued by Chicago Public Schools (CPS) expires on June 30, 2023. The School has received notice from CPS that their charter has been approved to be renewed through June 30, 2025.

AHS established Pipal, NFP (Pipal) in the year 2010 to hold and manage all real estate assets owned by AHS. Pipal is a wholly owned subsidiary of AHS governed by a separate Board of Directors.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

Principles of Consolidation

The accompanying consolidated financial statements (collectively, financial statements) include the accounts of Asian Human Services, Inc. and Pipal. Together, Asian Human Services, Inc. and Pipal will be referred to as the "Agency." All significant interorganizational transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Agency considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Agency maintains cash balances at a financial institution located in Chicago, Illinois. Accounts at this institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Agency does not believe it is exposed to significant credit risk on these accounts.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts Receivable

Accounts receivable from contracts with customers are stated at unpaid balances, less an adjustment for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. At June 30, 2022 and 2021, the allowance for doubtful accounts was \$34,793 and \$98,195, respectively.

Unconditional Promises to Give

The Agency records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Agency determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectible. All of these amounts are expected to be collected within one year. At June 30, 2022 and 2021, an allowance for uncollectible promises to give was not deemed necessary.

Employee Retention Credit

The provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined the Agency qualifies for the ERC and has elected to treat the credit consistent with the treatment of conditional grants. The Agency recorded a receivable and ERC grant revenue once the measurable performance or other barrier and right of return of the ERC had been overcome. The Agency has recognized \$828,975 as ERC grant revenue for the year ended June 30, 2022. The Agency has a related receivable balance of \$828,975 as of June 30, 2022. The Agency has filed for refunds of the ERC and has received \$0 to date.

Property and Equipment

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Agency capitalizes property and equipment over \$5,000 that have a useful life of more than one year. Depreciation and amortization of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-Lived Asset Impairment

The Agency evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Agency reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. There were no net assets with donor restrictions or net assets released from restrictions for the years ended June 30, 2022 and 2021.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue Recognition

Revenue from Contracts with Customers

The Agency derives a small portion of its revenue from a revenue source that involves contracts with customers. This source includes revenue from behavioral health services. The Agency has agreements with third-party payers that provide for payments to the Agency at amounts different from its established rates. Behavioral health revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. The Agency's behavioral health program is supported primarily by Medicaid funds from the Illinois Department of Human Services, and secondarily through various Managed Care Organizations. Behavioral health revenue is determined based on approved scope of services at established rates with the various entities. Revenues are recognized when control of these services is transferred to its customers in an amount that reflects the consideration the Agency expects to be entitled to in exchange for those services.

The Agency also elected to use the portfolio approach practical expedient. The Agency's contracts with customers contain similar terms and as a result, the Agency has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Agency does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

Performance Obligations

For behavioral health revenue, the performance obligation is to provide one-time services where control passes at the time the service occurs.

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable on the statements of financial position. The beginning and ending contract balances were as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Accounts receivable	\$ 201,293	545,525	342,169

Promises to Give

The Agency recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue Recognition, Continued

A portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The Agency received cost-reimbursable grants of \$2,305,968 and \$380,980 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the federal and state contracts and grants.

Change in Accounting Principles – Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves financial reporting by providing new presentation and disclosure requirements, including presenting contributed nonfinancial assets (in-kind contributions) as a separate line item in the consolidated statements of activities apart from contributions of cash and other financial assets. The ASU also requires additional qualitative and quantitative disclosures about the nature, amount, restrictions, and policies surrounding the contributed nonfinancial assets. For the year ended June 30, 2022, the Agency adopted the ASU on a retrospective basis and has adjusted the presentation in these financial statements accordingly.

Donated Services and In-Kind Contributions

The Agency receives in-kind contributions of time and services from members of the community and volunteers related to program operations and fund-raising activities. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School.

The Agency recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The Agency's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Agency. If an asset is provided that does not allow the Agency to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses, Continued

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include property services, utilities, and depreciation and amortization, which are allocated on a square footage basis, as well as salaries, payroll taxes, and fringes, which are allocated on the basis of estimates of time and effort. The remainder of expenses are directly identified to the functional category to which it applies.

Income Taxes

Asian Human Services, Inc. and Pipal have been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

Asian Human Services, Inc. and Pipal have evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal years are open and subject to examination by the Internal Revenue Service; however, Asian Human Services, Inc. and Pipal are not currently under audit nor has Asian Human Services, Inc. and Pipal been contacted by this jurisdiction.

Based on the evaluation of Asian Human Services, Inc. and Pipal's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2022 and 2021.

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use assets and lease liabilities for operating leases in the consolidated statements of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Agency is currently evaluating the methods of adoption allowed and the effect that adoption is expected to have on its consolidated financial position, changes in net assets, cash flows, and related disclosures.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Credit Losses

In June 2016, the FASB issued guidance to change the accounting for credit losses. The guidance requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit losses" and record an allowance that presents the net amount expected to be collected on the financial assets. The CECL framework is expected to result in earlier recognition of credit losses. The Agency intends to adopt the guidance as of July 1, 2023 and is currently evaluating the effect it is expected to have on its financial statements and related disclosures.

Management Evaluation of Going Concern

In accordance with U.S. GAAP, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Agency's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Agency's ability to continue as a going concern for the period from March 30, 2023 to March 30, 2024.

Subsequent Events

Subsequent events have been evaluated through March 30, 2023, the date that the financial statements were available to be issued. See Note 9 and Note 13 for details on a lawsuit that was settled after year end.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,053,881	1,194,914
Accounts receivable, net	166,500	447,330
Unconditional promises to give	1,589,713	1,389,406
Employee Retention Credit receivable	828,975	-
Related party receivable	-	<u>298,070</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,639,069</u>	<u>3,329,720</u>

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY, CONTINUED

The Agency is substantially supported by grants and contributions. The Agency manages its liquidity following these guiding principles; operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. As part of the Agency's liquidity management plan, the Agency invests in cash and cash equivalents. Another part of the plan is the approval of the annual budget in June every year. The Agency forecasts its future cash flows and monitors its liquidity monthly and its reserves quarterly.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Construction in progress	\$ 1,456,113	1,281,730
Furniture and equipment	1,433,154	1,392,299
Land and land improvements	1,867,945	1,867,945
Buildings	3,871,105	3,866,397
Leasehold improvements	<u>6,633,439</u>	<u>6,394,775</u>
Total property and equipment	15,261,756	14,803,146
Less accumulated depreciation	<u>(4,884,205)</u>	<u>(4,180,560)</u>
Property and equipment, net	<u>\$ 10,377,551</u>	<u>10,622,586</u>

NOTE 5 - LINE OF CREDIT

The Agency has a \$1,450,000 operating line of credit. The line of credit expires on April 15, 2023 and bears interest at the prime rate. The prime rate at June 30, 2022 and 2021 was 4.75% and 3.25%, respectively. The outstanding balance on the line of credit was \$1,450,000 and \$0 as of June 30, 2022 and 2021, respectively. All financial covenants were met or waived for the years ended June 30, 2022 and 2021. The line of credit is collateralized by all the assets of the Agency. The Agency intends to renew the line of credit upon expiration and believes that it is probable it will be able to do so.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - NOTES PAYABLE

Notes payable at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable, collateralized by property, due in monthly installments of \$3,132 including interest at 3.26%, maturing on November 1, 2022.	\$ 15,532	51,960
Note payable, collateralized by property, due in monthly installments of \$3,841 including interest at 3.17%, maturing on October 1, 2022.	3,517	48,728
Note payable, collateralized by property, due in monthly installments of \$3,658 including interest at 5.00%, maturing on January 1, 2025.	106,179	143,744
Note payable, collateralized by property, due in monthly installments of \$5,171 including interest at 5.00% through April 1, 2024, at which time the rate will be adjusted by the lender. The note matures on April 1, 2029.	358,579	401,535
Note payable, collateralized by property, due in monthly installments of \$2,164 including interest at 5.00% and 5.625% at June 30, 2022 and 2021, respectively, maturing on July 1, 2024.	50,948	73,366
Note payable, collateralized by all assets and guaranteed by another not-for-profit organization, due in monthly installments of \$6,968 including interest at 5.00%. This note was refinanced in May 2022.	-	933,617
Note payable, collateralized by all assets and guaranteed by another not-for-profit organization, due in monthly installments of \$7,221 including interest at 5.15%, maturing on May 15, 2027.	896,342	-
Note payable, collateralized by all assets and guaranteed by another not-for-profit organization, due in monthly installments of \$7,203 including interest at 5.50%, maturing on November 17, 2024.	194,992	268,363
Note payable, collateralized by all assets, due in monthly installments of \$7,386 including interest at 6.25%, maturing on December 5, 2025.	277,586	346,204
Note payable, collateralized by property, due in monthly installments of \$19,736 including interest at 6.875% through March 1, 2026, at which time the interest rate may be adjusted by the lender. The rate may again be adjusted by the lender on March 1, 2031. The note matures on August 1, 2026.	2,008,812	2,098,730
Note payable, collateralized by property, due in monthly installments of \$10,891 including interest at 6.25%, maturing on August 1, 2026.	<u>1,226,432</u>	<u>1,099,758</u>
Total notes payable	<u>\$ 5,138,919</u>	<u>5,466,005</u>

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - NOTES PAYABLE, CONTINUED

There were no financial covenants for the years ended June 30, 2022 and 2021.

Principal payments due on long-term debt during each of the following years are as follows:

2023	\$	480,640
2024		479,444
2025		414,919
2026		329,522
2027		1,871,936
Thereafter		<u>1,562,458</u>
Total principal payments	\$	<u>5,138,919</u>

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOANS

On April 9, 2020, the Agency received loan proceeds in the amount of \$1,670,868 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans and accrued interest are forgivable to the extent the criteria established in the CARES Act are met. The Agency received forgiveness of the full proceeds plus interest of the PPP loan. The Agency initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Agency recognized a gain on forgiveness of PPP loan of \$1,670,868 for the year ended June 30, 2021.

Pursuant to the 2021 Consolidated Appropriations Act (CAA), the Agency applied for a second \$1,670,868 Paycheck Protection Program (PPP2) loan and received the proceeds on February 3, 2021. The PPP2 loan and accrued interest are forgivable to the extent the criteria established in the CAA are met. The Agency initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Agency recognized a gain on forgiveness of PPP2 loan of \$1,670,868 for the year ended June 30, 2022.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 8 - OPERATING LEASES

The Agency is obligated under operating leases for office equipment which expire on various dates through November 2023.

In July 2018, the Agency on behalf of the School, entered into a lease agreement with the Archdiocese of Chicago for the use of the main school building. The term of the lease is five years with three additional five-year options to extend, which the School has committed to. The lease provides an abatement for rent of \$1,026,553 for the initial term, \$1,190,057 for the first extension, and \$141,447 for the second extension. The lease also provides for minimum monthly rental payments plus annual escalations, subject to additional rent for increases in taxes and operating expenses. Due to the rent abatements and escalations, rent expense has been recorded on a straight-line basis and resulted in a deferred rent liability as of June 30, 2022 and 2021 of \$1,042,916 and \$803,170, respectively.

Total rent expense amounted to \$907,901 and \$987,441 for the years ended June 30, 2022 and 2021, respectively, and is included within property services and printing and copying expense in the consolidated statements of functional expenses.

The aggregate future minimum lease commitment on these leases as of June 30, 2022 is as follows:

	<u>AHS</u>	<u>School</u>	<u>Total</u>
2023	\$ 23,781	504,387	528,168
2024	2,265	519,519	521,784
2025	-	535,105	535,105
2026	-	551,158	551,158
2027	-	567,692	567,692
Thereafter	-	10,036,151	10,036,151

NOTE 9 - OPERATING LESSOR COMMITMENTS

Pipal entered into space-sharing agreements with AHS and the Asian Human Services Family Health Center (Center) for the use of real estate. The Center was incorporated as a 501(c)(3) organization with a separate Board of Directors. Accordingly, its operating results were not included in the Agency's consolidated financial statements.

The agreement with AHS is an annual agreement that is automatically renewed each year unless terminated by either party. Total rent revenue under this operating lease amounted to \$199,678 and \$191,998 for the years ended June 30, 2022 and 2021, respectively, and has been eliminated in the consolidated statements of activities.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 9 - OPERATING LESSOR COMMITMENTS, CONTINUED

The agreements with the Center expire on various dates through June 2034 with minimum rental payments ranging from \$8,158 and \$33,242 per month plus annual escalation. Due to escalations, rent revenue has been recorded on a straight-line basis and resulted in a deferred rent asset as of June 30, 2022 and 2021 of \$276,294 and \$578,059, respectively. Total rent revenue under these operating leases to the Center amounted to \$518,569 and \$572,844 for the years ended June 30, 2022 and 2021, respectively, and is included in space sharing and program service fees revenue on the consolidated statements of activities.

Subsequent to June 30, 2022, as a part of a settlement agreement between the Agency and the Center (see Note 13), the leases with the Center were amended to provide for reduced or free rent from December 1, 2022 through December 31, 2029. The adjusted payment schedules are reflected in the aggregate future minimum rental payment schedule below.

The aggregate future minimum rentals on these leases as of June 30, 2022 is as follows:

2023	\$	508,724
2024		106,980
2025		110,184
2026		113,484
2027		116,892
Thereafter		1,379,356

NOTE 10 - IN-KIND CONTRIBUTIONS

The School received in-kind support in the form of contributed services provided for free or at a reduced cost. The principal sources of in-kind support involved technological assistance and equipment for students. Based on current market rates for technological services and equipment, the estimated fair value of these contributions was \$75,106 for the year ended June 30, 2022. All in-kind contributions received by the School for the year ended June 30, 2022 were considered to be without donor restrictions and are able to be used by the School as determined by management. There were no in-kind contributions received for the year ended June 30, 2021.

NOTE 11 - RETIREMENT PLAN

The Agency provides a 401(k) retirement plan (Plan) for eligible employees. The Agency makes matching contributions of 100% of the first 1.5% of base compensation that the participant contributes to the Plan. The Agency expenses contributions to the Plan as incurred. Employer contributions for the years ended June 30, 2022 and 2021 totaled \$65,475 and \$49,640, respectively.

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 non-annuitants who are employed by a fund-covered employer to provide services for which teacher certification is required. The State of Illinois appropriates public contributions to CPS, which remit those contributions to the Fund as applicable employer contributions.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 11 - RETIREMENT PLAN, CONTINUED

Employer contributions are 11.16% of pensionable salaries. Eligible employees are also required to contribute 9% of their pensionable salaries. As a benefit to employees with greater than one year of continuous employment, the School paid a portion of the employee contribution. Employer contributions are included in payroll taxes and fringes in the consolidated statements of functional expenses. The following table is a summary of the pension true-up for the years ended June 30, 2022 and 2021.

	2022	2021
Total pensionable salaries	<u>\$ 2,594,951</u>	<u>\$ 2,230,158</u>
Employee's contribution expense picked up by employer (2-7%)	<u>\$ 78,615</u>	<u>\$ 64,634</u>
Employer's contribution expense (11.16%)	\$ 289,597	\$ 248,886
(-) CPS deduction amount for employer's pension expense	<u>(238,045)</u>	<u>(210,187)</u>
(=) Pension true-up amount	<u>\$ 51,552</u>	<u>\$ 38,699</u>

NOTE 12 - BARGAINING UNIT

The Agency approved the bargaining unit agreement with Chicago Teachers Union (CTU) Local 1 on November 20, 2019. The bargaining unit agreement was for three years beginning July 1, 2019 through June 30, 2022. CTU is the exclusive collective bargaining representative of all full-time and regular part-time teachers, counselors, case managers, teachers' aides, teachers' assistants, administrative assistants, office clerks, and paraprofessionals employed by the Agency at the School. The Agency and CTU are still currently negotiating a renewal.

NOTE 13 - CONTINGENCY

The Agency is subject to certain claims and litigation that arose primarily in the ordinary course of its activities - which involves a claim by the Center. Subsequent to June 30, 2022, the Agency and the Center reached a settlement agreement in which rent for one of the space-sharing agreements will be abated from January 1, 2023 to December 31, 2029. In addition, rent for a 2nd space-sharing agreement will be partially abated for the last seven months of the lease from December 1, 2022 to June 30, 2023. The Agency recorded a loss on settlement of \$1,532,569, which is comprised of a \$697,221 write off of accounts receivable and \$835,348 due to the change in the terms of the rental agreements.

Due to the change in the terms of the rental agreements, a claim settlement liability was recorded during the year ended June 30, 2022. The total liability as of June 30, 2022 was \$784,209 less a discount of \$171,567 using a rate of 3.59% and will be amortized through December 31, 2029. The changes to the future minimum rentals from this settlement agreement are reflected in Note 9.

The \$1,670,868 PPP loan and the \$1,670,868 PPP2 loan and their forgiveness are subject to examination under the terms of the agreement with the Small Business Administration for a period of six years from the date the PPP loan is forgiven, which was July 2021 for the first PPP loan and May 2022 for the second PPP loan. The Agency is not currently under examination nor has the Agency been contacted.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 13 - CONTINGENCY, CONTINUED

The \$828,975 ERC is subject to examination for a period of up to five years from the filing date of the ERC refunds, which was March 2022. The Agency is not currently under examination nor has the Agency been contacted.

NOTE 14 - RECLASSIFICATIONS

Certain amounts in the June 30, 2021 financial statements have been reclassified to conform to the June 30, 2022 presentation.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY
ACT REQUIRED INFORMATION**

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
CONSOLIDATED YEAR-END FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

CSFA #	Program Name	State	Federal	Other	Total
444-80-0699	TANF Employment and Training Program - Job Placement	\$ -	\$ 253,075	\$ -	\$ 253,075
444-80-0707	Supplemental Nutrition Assistance Program - Job Placement	-	521,308	-	521,308
444-80-1217	Title XX DFI Developmental Disabilities/Mental Health	-	58,550	17,130	75,680
444-80-1219	Title XX DFI Family Services Employability Development	-	43,027	9,064	52,091
444-80-1411	Teen REACH (Responsibility, Education, Achievement, Caring, and Hope)	294,693	-	-	294,693
482-00-0255	HOPWA HIV Housing Facility	-	88,760	-	88,760
482-00-0931	Communities of Color Special At Risk Populations	29,625	-	-	29,625
482-00-0932	Illinois Hepatitis B Outreach, Awareness, and Education to Immigrants	57,665	-	-	57,665
482-00-1027	Minority AIDS Initiative AIDS Drug Assistance Program	-	59,132	-	59,132
482-00-2545	Planning Phase: Increasing Well-Woman Visits - Community Grant Program	2,207	-	-	2,207
586-18-0406	School Breakfast Program	-	92,290	-	92,290
586-18-0407	National School Lunch Program	-	239,784	-	239,784
586-18-0409	Child and Adult Care Food Program	4,588	-	-	4,588
586-18-0413	Fresh Fruit and Vegetables	-	24,459	-	24,459
684-01-1625	Adult Education and Literacy Basic Grants - Federal and State	200,969	113,936	-	314,905
684-01-1670	Innovative Bridge and Transition Grant - State	97,321	-	-	97,321
	Other grant programs and activities	184,318	2,997,641	6,963,768	10,145,727
	All other costs not allocated	-	-	2,143,434	2,143,434
	Total expenses	\$ 871,386	\$ 4,491,962	\$ 9,133,396	\$ 14,496,744

See Independent Auditor's Report.

SINGLE AUDIT REPORTS AND SCHEDULES

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Asian Human Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements), and have issued our report thereon dated March 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Asian Human Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Asian Human Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Asian Human Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Asian Human Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Asian Human Services, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asian Human Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF Mueller

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Asian Human Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Asian Human Services, Inc.'s major federal programs for the year ended June 30, 2022. Asian Human Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Asian Human Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Asian Human Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Asian Human Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Asian Human Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Asian Human Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Asian Human Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Asian Human Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Asian Human Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Asian Human Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope for our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF Mueller

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass Through Grantor Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<i>Pass-through programs from:</i>			
Illinois State Board of Education			
<i>Child Nutrition Cluster</i>			
School Breakfast Program		10.553	\$ 92,290
National School Lunch Program		10.555	239,784
Fresh Fruits & Vegetable Program	2121L058L1603 & 2221L058L1603	10.582	<u>24,459</u>
Total Illinois State Board of Education			<u>356,533</u>
Illinois Department of Human Services			
SNAP Employment & Training	FCSYG00242	10.561	521,308
Total Illinois Department of Human Services			<u>521,308</u>
Total U.S. Department of Agriculture			<u>877,841</u>
U.S. Department of Housing and Urban Development			
<i>Pass-through programs from -</i>			
Illinois Department of Public Health			
Housing Opportunities for Persons with AIDS	85780036F	14.241	<u>88,760</u>
Total Illinois Department of Public Health			<u>88,760</u>
Total U.S. Department of Housing and Urban Development			<u>88,760</u>
U.S. Department of Education			
<i>Pass-through programs from -</i>			
Illinois Community College Board			
Adult Education State Grant Program - Federal Basic	508BB20	84.002	<u>113,936</u>
Total Illinois Community College Board			<u>113,936</u>
Chicago Public Schools			
Title I - Discretionary	S010A220013	84.010	245,377
Title I - IL Empower Grant	S010A210013 & S010A220013	84.010	<u>12,124</u>
Total Title I			<u>257,501</u>
Title II - Teacher Quality	S367A220012	84.367	2,304
Title III - Limited English Learners	S365A210013	84.173	8,231
Title IV - Student Support & Academic Enrichment	S424A220014	84.424	4,994

The accompanying notes are an integral part of this schedule.

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

U.S. Department of Education, Continued

Pass-through programs from -

Chicago Public Schools, Continued

COVID-19 - Education Stabilization Fund (ESF) - American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief (ESSER II and III) Fund - Moving Forward Together (MFT)	S425D210041	84.425D	150,555 *
COVID-19 - Education Stabilization Fund (ESF) - American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief (ESSER II and III) Fund - Operating	S425D210041	84.425D	<u>169,210</u> *
Total Education Stabilization Fund			<u>319,765</u>
Total Chicago Public Schools			<u>592,795</u>
Total U.S. Department of Education			<u>706,731</u>

U.S. Department of Health and Human Services

Pass-through programs from -

Illinois Department of Human Services

TANF Job Placement	FCSYG05293	93.558	<u>253,075</u>
Total TANF			<u>253,075</u>
Donated Funds Initiative Title XX Mental Health	FCSYJ00292	93.667	58,550
Donated Funds Initiative Title XX Employment	FCSYJ00031	93.667	<u>43,027</u>
Total Title XX			<u>101,577</u>
Total Illinois Department of Human Services			<u>354,652</u>

Illinois Department of Public Health

Ryan White Minority Health Services	00180005H	93.917	<u>59,132</u>
Total Illinois Department of Public Health			<u>59,132</u>

Chicago Department of Public Health

Building a Network of Trauma Informed Centers of Care		21.019	<u>201,333</u>
Total Chicago Department of Public Health			<u>201,333</u>

Chicago Department of Family and Support Services

Head Start Cluster

Early Head Start	113794/122873	93.600	16,515 *
Head Start	113794/121841	93.600	<u>128,085</u> *

Total Chicago Department of Family and Support Services			<u>144,600</u>
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The accompanying notes are an integral part of this schedule.

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2022

U.S. Department of Health and Human Services, Continued

Pass-through programs from -

Start Early

Head Start Cluster

Early Head Start

113794/122873

93.600

208,285 *

Head Start

113794/121841

93.600

1,526,831 *

Total Start Early

1,735,116

Total U.S. Department of Health and Human Services

2,494,833

U.S. Department of Labor

Pass-through programs from -

Chicago Cook Workforce Partnership

Work Force Innovation and Opportunity Act Out of School

Youth

2020-543

17.259

256,993

Total U.S. Department of Labor

256,993

U.S. Department of the Treasury

Pass-through programs from -

Start Early

COVID-19 Coronavirus Relief Fund

05CH011953-02

21.019

66,804

Total U.S. Department of Treasury

66,804

Total expenditures of federal awards

\$ 4,491,962

* Identified as major program

The accompanying notes are an integral part of this schedule.

ASIAN HUMAN SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Asian Human Services, Inc. (AHS) for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of AHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AHS.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. AHS has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - SUB-RECIPIENTS

AHS provided no federal awards to sub-recipients during the year ended June 30, 2022.

NOTE 4 - NONMONETARY ASSISTANCE

AHS neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended June 30, 2022.

NOTE 5 - INSURANCE AND LOANS OR LOAN GUARANTEES

During the year ended June 30, 2022, AHS received no loans, loan guarantees, or other federal assistance for the purpose of administering federal programs.

**ASIAN HUMAN SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID-19 - Education Stabilization Fund (ESF) - American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief (ESSER II and III) Fund - Moving Forward Together (MFT) and Operating

93.600	Head Start Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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ASIAN HUMAN SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Part II - Financial Statement Finding

None noted.

Part III - Federal Award Findings and Questioned Costs

None noted.

**ASIAN HUMAN SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted.