

**Asian Human Services
Passages Charter School**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



Asian Human Services
Passages Charter School
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Asian Human Services
Passages Charter School
Chicago, Illinois

We have audited the accompanying financial statements of Asian Human Services Passages Charter School, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 Passages Charter School as of June 30, 2020 and 2019, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (schedule of revenue and expenses – Preschool and Kindergarten to 8th Grade) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of Asian Human Services Passages Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BKD, LLP

Oakbrook Terrace, Illinois
October 30, 2020

**Asian Human Services
Passages Charter School
Statements of Financial Position
June 30, 2020 and 2019**

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 2,410,191	\$ 1,800,343
Accounts receivable	757,341	1,842,214
Prepaid expenses	<u>1,810</u>	<u>39,706</u>
Total current assets	<u>3,169,342</u>	<u>3,682,263</u>
Noncurrent Assets		
Security deposits	<u>10,000</u>	<u>10,000</u>
Property and equipment, net		
Construction-in-progress	1,021	31,248
Furniture and equipment	491,535	491,535
Leasehold improvements	5,202,751	3,521,978
Accumulated depreciation and amortization	<u>(1,387,132)</u>	<u>(1,044,050)</u>
Total property and equipment, net	<u>4,308,175</u>	<u>3,000,711</u>
Total noncurrent assets	<u>4,318,175</u>	<u>3,010,711</u>
Total assets	<u>\$ 7,487,517</u>	<u>\$ 6,692,974</u>

Liabilities

Current Liabilities		
Accounts payable and accrued expenses	\$ 335,702	\$ 464,113
Related party payable	2,768,283	1,569,373
Note payable	<u>85,528</u>	<u>52,065</u>
Total current liabilities	3,189,513	2,085,551
Long-Term Liabilities		
Deferred rent	549,159	281,302
Note payable	<u>1,502,935</u>	<u>1,888,635</u>
Total liabilities	5,241,607	4,255,488

Net Assets

Without donor restrictions	<u>2,245,910</u>	<u>2,437,486</u>
Total liabilities and net assets	<u>\$ 7,487,517</u>	<u>\$ 6,692,974</u>

**Asian Human Services
Passages Charter School
Statements of Activities
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Support		
Chicago Public Schools		
Per capita tuition	\$ 4,223,707	\$ 3,804,595
Federal funds	268,007	258,673
Bilingual education	48,493	42,057
Other government grants and contracts		
Program		
Department of Family and Support Services		
Pre-Kindergarten	1,440,474	1,012,412
Other	59,507	131,179
Capital		
Board of Education - City of Chicago	-	1,300,000
Illinois Capital Development Board	60,390	483,120
Department of Family and Support Services		
Pre-Kindergarten	-	525,000
Food service income	417,262	340,121
Contributions	161,252	103,977
Program service fees and other	85,374	95,745
	<u>6,764,466</u>	<u>8,096,879</u>
Expenses		
Program services	6,309,723	5,672,943
Support services		
Management and general	646,319	583,530
	<u>6,956,042</u>	<u>6,256,473</u>
Change in Net Assets Without Donor Restrictions	(191,576)	1,840,406
Net Assets Without Donor Restrictions, Beginning of Year	<u>2,437,486</u>	<u>597,080</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 2,245,910</u>	<u>\$ 2,437,486</u>

**Asian Human Services
Passages Charter School
Statement of Functional Expenses
Year Ended June 30, 2020**

	Program Services	Management and General	Total
Salaries	\$ 2,824,064	\$ -	\$ 2,824,064
Fringe benefits	612,386	-	612,386
Salaries and fringe benefits	3,436,450	-	3,436,450
Professional services	750,676	-	750,676
Occupancy	729,443	-	729,443
Telecommunications	23,057	-	23,057
Office and instructional supplies	233,124	-	233,124
Insurance	67,727	-	67,727
Client services, transportation and assistance	111,443	-	111,443
Staff conferences, travel and development	5,354	-	5,354
Memberships and public relations	6,372	-	6,372
Utilities	65,456	-	65,456
Maintenance and housekeeping	168,821	-	168,821
Food service	252,367	-	252,367
Management fees	-	646,319	646,319
Miscellaneous and other	180	-	180
Interest expense	84,887	-	84,887
Bad debt expense	31,284	-	31,284
Total expenses before depreciation and amortization	5,966,641	646,319	6,612,960
Depreciation and amortization	343,082	-	343,082
Total	<u>\$ 6,309,723</u>	<u>\$ 646,319</u>	<u>\$ 6,956,042</u>

**Asian Human Services
Passages Charter School
Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services	Management and General	Total
Salaries	\$ 2,420,477	\$ -	\$ 2,420,477
Fringe benefits	550,857	-	550,857
Salaries and fringe benefits	2,971,334	-	2,971,334
Professional services	912,087	-	912,087
Occupancy	729,444	-	729,444
Telecommunications	22,397	-	22,397
Office and instructional supplies	163,094	-	163,094
Insurance	55,617	-	55,617
Client services, transportation and assistance	91,082	-	91,082
Staff conferences, travel and development	9,557	-	9,557
Memberships and public relations	3,430	-	3,430
Utilities	79,037	-	79,037
Maintenance and housekeeping	166,632	-	166,632
Food service	251,654	-	251,654
Management fees	-	583,530	583,530
Miscellaneous and other	4,223	-	4,223
Total expenses before depreciation and amortization	5,459,588	583,530	6,043,118
Depreciation and amortization	213,355	-	213,355
Total	<u>\$ 5,672,943</u>	<u>\$ 583,530</u>	<u>\$ 6,256,473</u>

**Asian Human Services
Passages Charter School
Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets without donor restrictions	\$ (191,576)	\$ 1,840,406
Items not requiring (providing) cash		
Depreciation and amortization	343,082	213,355
Grants received for acquisition of long-lived assets	(60,390)	(241,560)
Deferred rent	267,857	281,302
Changes in assets and liabilities		
Accounts receivable	1,084,873	(1,564,649)
Prepaid expenses and security deposits	37,896	(39,706)
Accounts payable and accrued expenses	(128,411)	(287,178)
Related party payable	1,198,910	1,053,657
	<u>2,552,241</u>	<u>1,255,627</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	<u>(1,650,546)</u>	<u>(2,512,023)</u>
Financing Activities		
Proceeds from issuance of long-term debt	647,763	1,940,700
Note payable principal payments	(1,000,000)	-
Grants received for acquisition of long-lived assets	60,390	241,560
	<u>(291,847)</u>	<u>2,182,260</u>
Net cash provided by (used in) financing activities		
Net Increase in Cash and Cash Equivalents	609,848	925,864
Cash and Cash Equivalents, Beginning of Year	<u>1,800,343</u>	<u>874,479</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,410,191</u>	<u>\$ 1,800,343</u>
Supplemental Cash Flows Information		
Cash paid during the year for interest	\$ 84,887	\$ -

**Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019**

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Asian Human Services, Inc. (Agency), a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, established Asian Human Services Passages Charter School (School) in 2000. In January 2018, the Chicago Public Schools renewed the School's charter for a five-year term that expires on June 30, 2023. The current charter school agreement allows for enrollment of up to 460 total students for kindergarten through eighth grade. The School also has an enrollment of approximately 100 students in preschool.

The School's mission is to provide immigrant and refugee children and their families educational programming geared toward high achievement standards and the needs of immigrant learners and other underserved children through a full-service school offering comprehensive social support services, a site for professional development opportunities for teachers from diverse backgrounds and an educational environment built upon parental and community involvement and service.

Under State law, the Chicago Public Schools (CPS) have oversight responsibility to verify that the School complies with and meets the expectations of a public education system. The School is expected to satisfy regulations and compliance requirements prescribed by CPS.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020, cash equivalents consisted primarily of money market accounts with brokers.

The School and the Agency maintain their primary bank accounts with one financial institution. At June 30, 2020, the joined cash and cash equivalents accounts exceeded federally insured limits by approximately \$332,000.

Receivables

The School considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful amounts is required. Uncollectible receivables, if any, are written off as expense when they are determined to be uncollectable.

**Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019**

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation and amortization is charged to expense using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. All property and equipment purchases in excess of \$5,000 are capitalized, while lesser amounts are charged to expense.

Depreciation of furniture and equipment is provided on a straight-line basis over 5 to 7 years. Amortization of leasehold improvements is provided on a straight-line basis over the shorter of 10 to 15 years or the terms of the leases, including the periods covered under the renewal options.

The School capitalizes interest costs as a component of construction in progress, based on actual rates paid for long-term borrowing. Total interest incurred each year was:

	2020	2019
Interest costs capitalized	\$ <u> -</u>	\$ <u> 77,955</u>

Long-Lived Asset Impairment

The School 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, 2020 and 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are 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 School does not have net assets with donor restrictions.

**Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019**

Contributions and Adoption of Accounting Standards Update (ASU) 2018-08

Contributions are provided to the School either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Asian Human Services
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Notes to Financial Statements
June 30, 2020 and 2019

In 2020, the School adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new guidance clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a “barrier or hurdle” that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier or hurdle is not achieved. An agreement that includes both is a conditional contribution.

The School adopted this standard on July 1, 2019. Adoption of ASU 2018-08 did not result in any changes to the presentation of the consolidated financial statements or disclosures in the notes to the consolidated financial statements. The adoption of this standard also did not result in any changes to previously reported net assets or changes to net assets.

In-Kind Contributions

The School may have on occasion volunteers who contribute their time to develop and implement the various school programs. The School recognizes the fair value only of those contributed services that either create or enhance nonfinancial assets or require specialized skills and that would otherwise have been purchased in the period received. For the years ended June 30, 2020 and 2019, there were no contributed services recognized in the financial statements. Also, for the years ended June 30, 2020 and 2019, there were no noncash contributions recognized in the financial statements.

Income Taxes

As a division of Asian Human Services, Inc., the School is 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. However, the School is subject to income tax on any unrelated business taxable income. The School’s operating results are included in the Asian Human Services, Inc.’s Form 990, *Return of Organization Exempt From Income Tax*. For the years ended June 30, 2020 and 2019, the School did not have any unrelated business income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the programs and supporting services based on the units of service and other methods.

**Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019**

Note 2: Grant Reimbursements Receivable and Future Commitments

The School receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the School are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2020, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2020:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned Through 2020</u>	<u>Funding Available</u>
Out of School	January 1, 2020 - December 31, 2020	\$ 41,944	\$ 9,507	\$ 32,437
Head Start	December 1, 2019 - November 30, 2020	<u>2,149,810</u>	<u>671,100</u>	<u>1,478,710</u>
		<u>\$ 2,191,754</u>	<u>\$ 680,607</u>	<u>\$ 1,511,147</u>

Note 3: Note Payable

	<u>2020</u>	<u>2019</u>
Note payable dated September 6, 2018, modified May 26, 2020, increasing principal by \$170,000 to \$2,170,000. Loan disbursement date through September 30, 2020. First interest and principal payment on November 1, 2020, at which time monthly payments of \$19,736, representing principal and interest, are due until maturity on April 1, 2035. Interest is initially at 6.875% through March 31, 2025, and then subsequently is recalculated as a fixed rate equal to the greater of the sum of the yield to maturity of United States Treasury obligations with a maturity equal to the maturity date plus 4% or 6%.	\$ 1,588,463	\$ 1,940,700
Less current maturities	<u>85,528</u>	<u>52,065</u>
	<u>\$ 1,502,935</u>	<u>\$ 1,888,635</u>

The School is a department of the Agency and the Agency entered into this note payable on September 6, 2018, for financing of the renovations at the School. The note payable is secured by the Agency's real estate and guaranteed by Pipal, NFP. Pipal, NFP is a wholly owned subsidiary

**Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019**

of the Agency and is governed by a separate Board of Directors to hold and manage all real estate assets owned by the Agency. Interest expense recognized in 2020 was \$84,887.

At June 30, 2020, future annual principal payments for each fiscal year are as follows:

Year	Amount
2021	\$ 85,528
2022	135,850
2023	145,489
2024	155,813
2025	166,869
Thereafter	<u>898,914</u>
Total	<u>\$ 1,588,463</u>

Note 4: Commitments

Operating Lease

In July 2018, the Agency on behalf of the School entered into a new lease agreement with the Archdiocese of Chicago for the use of the main school building. The term of the lease was five years with three additional five-year options to extend. 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 rent abatement for periods after July 1, 2021, is contingent upon the Agency and the School spending \$3,782,894 on specified capital improvements with such rent abatements being reduced on a pro-rata basis for any shortfall in the actual spend. As of the date of this report, the Agency and the School had no commitments for this early childhood expansion project as this project was completed by June 30, 2020. The lease provides for minimum rental payments of \$53,458 per month plus annual escalation, 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, 2020 and 2019, of \$549,159 and \$281,302, respectively.

Rent expense for the years ended June 30, 2020 and 2019, was approximately \$729,443 and \$729,444, respectively.

**Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019**

At June 30, 2020, future annual minimum base rental payments are as follows, which include the exercising of the lease renewal options:

<u>Year</u>	<u>Amount</u>
2021	\$ 475,433
2022	489,697
2023	504,387
2024	519,519
2025	535,105
Thereafter	<u>11,155,001</u>
	<u>\$ 13,679,142</u>

Note 5: Retirement Fund

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.

For the year ended June 30, 2020, the employer contributions were 11.16% of estimated pensionable salaries of \$1,990,973. For the year ended June 30, 2019, the employer contributions were 11.16% of estimated pensionable salaries of \$1,878,791. 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. Pension expense for the years ended June 30, 2020, was \$282,273 and \$199,976, respectively. In 2020, CPS pension contributions fell short of pension expenses by (\$9,003), resulting in a true-up amount which is included in accounts payable and accrued expenses in the statement of financial position as of June 30, 2020. In 2019, CPS pension contributions fell short of pension expenses by (\$22,455), resulting in a true-up amount which is included in accounts payable and accrued expenses in the statement of financial position as of June 30, 2019.

Note 6: Related Party Transactions

The Agency receives administrative fees from the School. The Agency's administrative fees amounted to \$285,565 and \$109,230 for the years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the Agency's fees were calculated at approximately 6% of Per Capita Tuition and Supplemental General State Aid from CPS.

**Asian Human Services
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Notes to Financial Statements
June 30, 2020 and 2019**

The School had amounts due to related parties of \$2,768,283 and \$1,569,373 at June 30, 2020 and 2019, respectively. The majority of this related party payable is to the Agency which had a balance of \$2,488,863 and \$1,289,953 as of June 30, 2020 and 2019, respectively. The School is a department of the Agency and the Agency pays for certain operating activities which is then paid back by the School. The balance of this related party activity will vary depending on the operating activities and the timing of the payments. As of June 30, 2020 and 2019, the School also has a payable to another related party in the amount of \$279,420 for payments owed for insurance benefits.

Note 7: Bargaining Unit

The Agency approved the bargaining unit agreement with ChiACTS Local 4343 on June 27, 2017, and was for three years through June 30, 2019. A new bargaining agreement was approved November 20, 2019. The bargaining unit agreement was for three years beginning July 1, 2019 through June 30, 2021. ChiACTS 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 AHS at Passages Charter School.

Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, respectively, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 2,410,191	\$ 1,800,343
Accounts receivable	757,341	1,842,214
	\$ 3,167,532	\$ 3,642,557
Financial assets available to meet cash needs for general expenditures within one year		

The Agency is substantially supported by grants and contributions without donor restrictions. 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 monitors its reserves quarterly. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019

Note 9: Concentrations

During the years ended June 30, 2020 and 2019, 66% and 51%, respectively, of the School's revenues and support came from the Chicago Public Schools. Loss of funding from this source would require the School to seek additional revenue or secure new grants in order to continue to provide its current level of services.

Note 10: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers*, amending its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The School expects to first apply the ASU during its fiscal year ending June 30, 2021. The impact of applying the ASU has not yet been determined.

Accounting for Leases

The FASB issued ASU No. 2016-02, *Leases*, the long-awaited standard on lease accounting. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard is effective for annual periods beginning after December 15, 2021. The School expects to first apply the ASU during its fiscal year ending June 30, 2023. The impact of applying the ASU has not yet been determined.

Asian Human Services
Passages Charter School
Notes to Financial Statements
June 30, 2020 and 2019

Note 11: Subsequent Events

Subsequent events have been evaluated through October 30, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the School. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information

**Asian Human Services
Passages Charter School
Schedule of Revenues and Expenses –
Preschool and Kindergarten Through 8th Grade
Year Ended June 30, 2020**

	Preschool	Kindergarten Through 8th Grade	Total
Support			
Chicago Public Schools			
Per capita tuition	\$ -	\$ 4,223,707	\$ 4,223,707
Federal funds	-	268,007	268,007
Bilingual education	-	48,493	48,493
Other government grants and contracts			
Program			
Department of Family and Support			
Services Pre-Kindergarten	1,440,474	-	1,440,474
Other	50,000	9,507	59,507
Capital			
Illinois Capital Development Board	60,390	-	60,390
Food service income	81,608	335,654	417,262
Contributions	161,252	-	161,252
Program service fees and other	49,080	36,294	85,374
	<u>1,842,804</u>	<u>4,921,662</u>	<u>6,764,466</u>
Expenses			
Program services	1,985,464	4,324,259	6,309,723
Support services			
Management and general	288,450	357,869	646,319
	<u>2,273,914</u>	<u>4,682,128</u>	<u>6,956,042</u>
Change in Net Assets Without Donor Restriction	<u>\$ (431,110)</u>	<u>\$ 239,534</u>	<u>\$ (191,576)</u>

**Asian Human Services
Passages Charter School
Schedule of Revenues and Expenses –
Preschool and Kindergarten Through 8th Grade
Year Ended June 30, 2019**

	<u>Preschool</u>	<u>Kindergarten Through 8th Grade</u>	<u>Total</u>
Support			
Chicago Public Schools			
Per capita tuition	\$ -	\$ 3,804,595	\$ 3,804,595
Federal funds	-	258,673	258,673
Bilingual education	-	42,057	42,057
Other government grants and contracts Program			
Department of Family and Support Services Pre-Kindergarten	1,012,412	-	1,012,412
Other	45,085	86,094	131,179
Capital			
Board of Education - City of Chicago	1,300,000	-	1,300,000
Illinois Capital Development Board	483,120	-	483,120
Department of Family and Support Services Pre-Kindergarten	525,000	-	525,000
Food service income	-	340,121	340,121
Contributions	93,952	10,025	103,977
Program service fees and other	57,854	37,891	95,745
	<u>3,517,423</u>	<u>4,579,456</u>	<u>8,096,879</u>
Expenses			
Program services	1,134,741	4,538,202	5,672,943
Support services			
Management and general	295,518	288,012	583,530
	<u>1,430,259</u>	<u>4,826,214</u>	<u>6,256,473</u>
Change in Net Assets Without Donor Restrictions	<u>\$ 2,087,164</u>	<u>\$ (246,758)</u>	<u>\$ 1,840,406</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Directors of
Asian Human Services, Inc.
Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Asian Human Services Passages Charter School (School), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated October 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Board of Directors
Asian Human Services
Passages Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

BKD, LLP

Oakbrook Terrace, Illinois
October 30, 2020

Asian Human Services
Passages Charter School
Schedule of Findings and Responses
June 30, 2020

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
No matters are reportable.	

Independent Auditors' Report on Compliance With Requirements of Applicable Laws and Regulations Prescribed by Administering Agency

Board of Directors of
Asian Human Services, Inc.
Chicago, Illinois

We have examined the assertion of Asian Human Services Passages Charter School (School) management that the School complied with the types of compliance requirements provided by its administering agency, Chicago Public Schools, that are applicable to the School for the year ended June 30, 2020. The Chicago Public Schools provided to the School the compliance requirements and the related criteria subject to examination in a memorandum dated June 11, 2020.

The School's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination. The applicable laws and regulations that were tested included the following:

- a) **Open Meetings Act** (5 ILCS 120/1 *et seq.*)
- b) **Fingerprint-based Criminal Background Investigations and Checks of the Statewide Sex Offender Database & Statewide Murderer and Violent Offender Against Youth Database** (105 ILCS 5/10-21.9 & 105 ILCS 5/34-18.5)
- c) **Illinois School Student Records Act** (105 ILCS 10/1 *et seq.*)
- d) **Administering Medication** (105 ILCS 5/10-22.21b)
- e) **Hazardous Materials Training** (105 ILCS 5/10-20.17a)
- f) **School Safety Drill Act** (105 ILCS 128/1 *et seq.*)
- g) **Abused and Neglected Child Reporting Act** (325 ILCS 5/1 *et seq.*)
- h) **Eye Protection in School Act** (105 ILCS 115/0.01 *et seq.*)
- i) **Toxic Art Supplies in Schools Act** (105 ILCS 135/1 *et seq.*)
- j) **Infectious Disease Policies and Rules** (105 ILCS 5/10-21.11)
- k) **Physical Fitness Facility Medical Emergency Preparedness Act** (210 ILCS 74/1 *et seq.*)
- l) **Open Enrollment Process and Lottery** (105 ILCS 5/27A-4(d), (h))
- m) Conformance with the following sections of the Charter School Agreement:
 - i. **Attendance:** Accurate attendance record keeping
 - **Single Audit Act Amendments of 1996 (31 U.S.C. 7501-07);** Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and OMB Compliance **Supplements:** This report should be issued as an attestation report in accordance with the *Statement on Standards for Attestation Engagements No. 18*.

Board of Directors of
Asian Human Services, Inc.

- ii. **Governance and Operation:** The school's governance structure
- iii. **Maintenance of Corporate Status and Good Standing**
- iv. **Facility:** The school's facility and ADA compliance
- v. **Pension Payments:** Compliance with applicable sections of the Illinois Pension Code
- vi. **Management and Financial Controls**
- vii. **Insurance:** Maintenance of required insurance coverage

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Schools' compliance with specified requirements.

In our opinion, except as disclosed on the accompanying schedule of findings, management's assertion referred to above is fairly stated, in all material respects, based on the requirements and the related criteria referred to above for the year ended June 30, 2020.

The School's response to the finding identified in our examination is described in the accompanying schedule of findings and responses. The School's response was not subjected to the examination procedures applied in the examination of the compliance requirements and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors and its audit committee, management, others within the organization and the Chicago Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Oakbrook Terrace, Illinois
October 30, 2020

**Asian Human Services
Passages Charter School
Schedule of Findings
June 30, 2020**

Finding 2020-001 – School Agreement Audit Program

Criteria or Specific Requirement

A school is required to prepare and submit quarterly financial statements to Chicago Public Schools on a timely basis.

Condition

The School did not file their fourth quarter financial statements by the designated due date.

Context

The fourth quarter financial statements had a designated due date of July 31, 2020, and was submitted six days late on August 6, 2020.

Effect

The School is not in compliance with the requirement to prepare and submit their quarterly financial statements to Chicago Public Schools on a timely basis.

Cause

The School did not file their quarter financial statements by the due date.

Recommendation

We recommend that the School additional policies and procedures to ensure quarterly financial statements are submitted by the designated due dates.

Management Response

The School recognizes that the fourth quarter financial statement was not submitted to CPS on a timely basis. However, due to office closure as a result of COVID-19 and loss of staff in the accounting department, reporting in certain instances was delayed. The CFO has implemented procedures for staff to ensure timely submission of all external reporting requirements.