

Assurance

**ASIAN HUMAN SERVICES
PASSAGES CHARTER SCHOOL**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

LOCAL
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EXPERTISE

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Asian Human Services Passages Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Human Services Passages Charter School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of 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.

Auditor's Responsibility, Continued

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, for the year ended June 30, 2021, Asian Human Services Passages Charter School adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15 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 26, 2021 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 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 Passages Charter School'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 Passages Charter School's internal control over financial reporting and compliance.

PKF Mueller

Chicago, Illinois
October 26, 2021

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Current assets:

Cash	\$	402,602
Unconditional promises to give		617,101
Prepaid expenses		<u>1,369</u>
Total current assets		<u>1,021,072</u>

Noncurrent assets:

Security deposits		<u>10,000</u>
Property and equipment, net:		
Furniture and equipment		516,556
Leasehold improvements		6,041,248
Accumulated depreciation and amortization		<u>(1,809,138)</u>
Total property and equipment, net		<u>4,748,666</u>
Total noncurrent assets		<u>4,758,666</u>
Total assets	\$	<u><u>5,779,738</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$	378,624
Related party payable		410,133
Current portion of notes payable		<u>89,919</u>
Total current liabilities		<u>878,676</u>

Long-term liabilities:

Deferred rent		803,170
Notes payable, net of current portion		<u>2,008,811</u>
Total liabilities		<u>3,690,657</u>

Net assets:

Without donor restrictions		<u>2,089,081</u>
Total liabilities and net assets	\$	<u><u>5,779,738</u></u>

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

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Support and revenue:

Chicago Public Schools:		
Per capita tuition	\$	4,450,324
Federal funds		207,011
Bilingual education		45,997
Other government grants and contracts:		
Program:		
Department of Family and Support Services Pre-Kindergarten		3,336,743
Other		85,968
Food service grant		119,088
Program service fees and other		<u>36,397</u>
Total support and revenue		<u>8,281,528</u>

Expenses:

Program services		7,156,472
Supporting services:		
Management and general		<u>1,281,885</u>
Total expenses		<u>8,438,357</u>
Change in net assets		(156,829)
Net assets without donor restrictions, beginning of year		<u>2,245,910</u>
Net assets without donor restrictions, end of year	\$	<u><u>2,089,081</u></u>

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

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
Salaries	\$ 3,353,482	87,428	3,440,910
Payroll taxes and fringes	698,969	7,474	706,443
Total salaries, payroll taxes and fringes	4,052,451	94,902	4,147,353
Professional services	1,029,039	16,526	1,045,565
Property services	649,196	525,817	1,175,013
Transportation services	54	-	54
Memberships and public relations	32,781	-	32,781
Advertising	8,515	-	8,515
Printing and copying	33,667	-	33,667
Utilities	52,819	-	52,819
Insurance	77,004	-	77,004
Other purchased services	681	-	681
Supplies and materials	456,031	56,441	512,472
Bank charges and fees	194	180	374
Bad debt	70,183	-	70,183
Miscellaneous	135,136	-	135,136
Management fees	-	588,019	588,019
Expenses before interest, depreciation and amortization	6,597,751	1,281,885	7,879,636
Interest expense	136,716	-	136,716
Depreciation and amortization	422,005	-	422,005
Total expenses	<u>\$ 7,156,472</u>	<u>1,281,885</u>	<u>8,438,357</u>

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

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

Cash provided by (applied to) operating activities:	
Change in net assets	\$ (156,829)
Adjustments to reconcile change in net assets to net cash provided by (provided by) operating activities:	
Depreciation and amortization	422,005
Grants received for acquisition of long-lived assets	(306,197)
Changes in:	
Unconditional promises to give	140,240
Prepaid expenses	441
Accounts payable and accrued expenses	42,922
Deferred rent	<u>254,011</u>
Total cash provided by operating activities	<u>396,593</u>
Cash applied to investing activities:	
Purchases of property and equipment	<u>(862,496)</u>
Cash provided by (applied to) financing activities:	
Proceeds from notes payable	531,800
Payments on notes payable	(21,533)
Grants received for acquisition of long-lived assets	<u>306,197</u>
Total cash provided by financing activities	<u>816,464</u>
Net increase in cash	350,561
Cash, beginning of year	<u>52,041</u>
Cash, end of year	<u>\$ 402,602</u>
Other cash flow information:	
Interest paid	<u>\$ 136,716</u>

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

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 - 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. 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. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations

Cash and Cash Equivalents

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

Concentration of Credit Risk

During 2021, the School maintained cash balances at one financial institution located in Chicago, Illinois. Accounts at this institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School believes it is not exposed to significant credit risk on these accounts.

Unconditional Promises to Give

The School 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 support and revenue in the statement of activities. The School 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. At June 30, 2021, an allowance for uncollectible promises to give was not deemed necessary.

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 School capitalizes property and equipment over \$5,000 that have a useful life of more than one year. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Furniture and equipment	5 - 7 years
Leasehold improvements	10 - 15 years

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 year ended June 30, 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 School 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 statement of activities as net assets released from restrictions. There were no net assets with donor restrictions or net assets released from restrictions in 2021.

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Change in Accounting Principles – Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification 605, *Revenue Recognition*. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. For the year ended June 30, 2021, the School adopted ASU No. 2014-09 and has adjusted the presentation in these financial statements accordingly. ASU No. 2014-09 has been applied using the modified retrospective method to all periods presented and resulted in no changes to previously reported net assets as there were no significant changes to the way the School recognizes revenue.

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

Revenue and Revenue Recognition

The School recognizes contributions 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.

A portion of the School'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 School 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 statement of financial position. The School received cost-reimbursable grants of \$141,197 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the federal and state contracts and grants.

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the School's program services, and management and general activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The School recognizes contributed services at their fair value if the services have value to the School and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. No significant contributions of such goods or services were received during the year ended June 30, 2021.

Functional Expenses

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

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 service, which is 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

As a division of Asian Human Services, Inc., the School is exempt from federal income 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.

The School has evaluated the tax positions taken for all open tax years. Currently, the 2017, 2018 and 2019 tax years are open and subject to examination by the Internal Revenue Service; however, the School is not currently under audit nor has the School been contacted by this jurisdiction.

Based on the evaluation of the School'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 year ended June 30, 2021.

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting Estimates

The preparation of financial statements in accordance 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, 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 – Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The key provisions of ASU No. 2020-07 are 1) a requirement to present contributed nonfinancial assets as a separate line item in the statement of activities and 2) disclosure of contributed nonfinancial assets disaggregated by type, which includes information about monetization and utilization, donor restrictions, and the valuation techniques used. ASU No. 2020-07 should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The School is currently evaluating the effect that adoption is expected to have on its statement of activities, functional expenses, and related disclosures.

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 statement of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The School is currently evaluating the methods of adoption allowed and the effect that adoption is expected to have on its financial position, changes in net assets, cash flows, and related disclosures.

Management Evaluation of Going Concern

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the School'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 School's ability to continue as a going concern for the period from October 26, 2021 to October 26, 2022.

Subsequent Events

Subsequent events have been evaluated through October 26, 2021, the date that the financial statements were available to be issued.

ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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 statement of financial position, comprise the following:

Cash	\$ 402,602
Unconditional promises to give	<u>617,101</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,019,703</u>

The School is substantially supported by grants and contributions. The School 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 School's liquidity management plan, the School invests in cash and cash equivalents. Another part of the plan is the approval of the annual budget in June every year. The School forecasts its future cash flows and monitors its liquidity monthly and its reserves quarterly.

NOTE 4 - NOTES PAYABLE

The School has a note payable dated September 6, 2018, and amended May 26, 2020, increasing the principal by \$170,000 to \$2,170,000. Principal and interest payments of \$19,736 are due monthly until maturity in April 2035. Interest is initially set at 6.875% through March 31, 2025, and then subsequently, is to be recalculated based on specific terms in the agreement. The School is a department of the Agency. The note payable is secured by real estate of the Agency and guaranteed by Pipal, NFP. Pipal, NFP is a wholly owned subsidiary of the Agency and is governed by a separate Board of Directors to hold and manage all real estate assets owned by the Agency.

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

2022	\$ 89,919
2023	96,299
2024	103,132
2025	110,451
2026	118,288
Thereafter	<u>1,580,641</u>
	<u>\$ 2,098,730</u>

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 5 - OPERATING LEASES

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 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, 2021 of \$803,170.

Total rent expense amounted to \$637,221 for the year ended June 30, 2021 and is included within property services expense in the statement of functional expenses.

The aggregate future minimum lease commitment on these leases as of June 30, 2021 is as follows:

2022	\$	489,697
2023		504,387
2024		519,519
2025		535,105
2026		551,158
Thereafter		10,603,843

NOTE 6 - RETIREMENT PLAN

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.

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 statement of functional expenses. The table below is a summary of the pension true-up for the year ended June 30, 2021.

Total pensionable salaries	<u>\$ 2,230,158</u>
Employee's contribution expense picked up by employer (2-7%)	<u>\$ 64,634</u>
Employer's contribution expense (11.16%)	\$ 248,886
(-) CPS deduction amount for employer's pension expense	<u>(210,187)</u>
(=) Pension true-up amount	<u>\$ 38,699</u>

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 7 - RELATED PARTY TRANSACTIONS

The Agency receives management fees from the School. The Agency's management fees amounted to \$588,019 for the year ended June 30, 2021. For the year ended June 30, 2021, the Agency's fees were calculated at approximately 9% of Per Capita Tuition and Supplemental General State Aid from CPS.

As of June 30, 2021, the School has a payable to a related organization in the amount of \$410,133 for payments owed for insurance benefits and other operating expenses.

NOTE 8 - 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.

NOTE 9 - MAJOR GRANTORS AND CONTRIBUTORS

The School received approximately 97% of its grants and contributions from two funders during the year ended June 30, 2021.

NOTE 10 - IMPACT OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America and the world. To date, the impact on the School's operations and results has not been significant and management expects this to remain the case. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the School's changes in net assets and financial performance.

SUPPLEMENTARY INFORMATION

**ASIAN HUMAN SERVICES PASSAGES CHARTER SCHOOL
SCHEDULE OF REVENUE AND EXPENSES -
PRESCHOOL AND KINDERGARTEN THROUGH 8TH GRADE
YEAR ENDED JUNE 30, 2021**

	<u>PRESCHOOL</u>	<u>KINDERGARTEN THROUGH 8TH GRADE</u>	<u>TOTAL</u>
Support and revenue:			
Chicago Public Schools:			
Per capita tuition	\$ -	4,450,324	4,450,324
Federal funds	-	207,011	207,011
Bilingual education	-	45,997	45,997
Other government grants and contracts:			
Program:			
Department of Family and Support Services Pre- Kindergarten	3,336,743	-	3,336,743
Other	50,000	35,968	85,968
Food service income	32,539	86,549	119,088
Program service fees and other	<u>8,385</u>	<u>28,012</u>	<u>36,397</u>
Total support and revenue	<u>3,427,667</u>	<u>4,853,861</u>	<u>8,281,528</u>
Expenses:			
Program services	3,388,699	3,767,773	7,156,472
Supporting services:			
Management and general	<u>345,749</u>	<u>936,136</u>	<u>1,281,885</u>
Total expenses	<u>3,734,448</u>	<u>4,703,909</u>	<u>8,438,357</u>
Change in net assets	<u>\$ (306,781)</u>	<u>149,952</u>	<u>(156,829)</u>

See Independent Auditor's Report.

INTERNAL CONTROL AND COMPLIANCE MATTERS

INDEPENDENT AUDITOR’S 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

To the Board of Directors
of Asian Human Services Passages Charter School

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 financial statements of Asian Human Services Passages Charter School (School), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, financial statements) and have issued our report thereon dated October 26, 2021.

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) 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 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 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 may exist that have not been identified.

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 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 the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF Mueller

COMPLIANCE WITH REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS PRESCRIBED BY ADMINISTERING AGENCY

To the Board of Directors
of Asian Human Services Passages Charter School

We have examined the compliance of Asian Human Services Passages Charter School (School) 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, 2021. Chicago Public Schools provided the compliance requirements subject to audit to the School in a memorandum dated May 7, 2021 and Charter School Agreement dated July 1, 2018.

Management of the School is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Charter School Agreement with Chicago Public Schools. Our responsibility is to express an opinion on the School's compliance with specified requirements based on our examination. The applicable laws and regulations that were tested included the following:

- Open Meetings Act (5 ILCS 120/1 *et seq.*)
- Fingerprint-based Criminal Background Investigations and Checks of the Statewide Sex Offender Database and Statewide Murderer and Violent Offender Against Youth Database (105 ILCS 5/10-21.9 and 105 ILCS 5/34-18.5)
- Illinois School Student Records Act (105 ILCS 10/1 *et seq.*)
- Administering Medication (105 ILCS 5/10-22.21b)
- Hazardous Materials Training (105 ILCS 5/10-20.17a)
- School Safety Drill Act (105 ILCS 128/1 *et seq.*)
- Abused and Neglected Child Reporting Act (325 ILCS 5/1 *et seq.*)
- Eye Protection in School Act (105 ILCS 115/0.01 *et seq.*)
- Toxic Art Supplies in Schools Act (105 ILCS 135/1 *et seq.*)
- Infectious Disease Policies and Rules (105 ILCS 5/10-21.11)
- Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74/1 *et seq.*)
- Open Enrollment Process and Lottery (105 ILCS 5/27A-4(d), (h))
- Board of Directors Requirements (105 ILCS 5/27A-5 (c))
- Conformance with the following sections of the Charter School Agreement:
 - Attendance
 - Governance and Operation
 - Maintenance of Corporate Status and Good Standing
 - Facility
 - Pension Payments
 - Management and Financial Controls
 - Insurance

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the School complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, the School complied, in all material respects, with Chicago Public Schools' requirements referred to above for the year ended June 30, 2021.

This report is intended solely for the information and use of management, the Board of Directors, others within the School, Chicago Public Schools, and the Chicago Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

PKF Mueller