

COMBINED FINANCIAL STATEMENTS

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

*Year Ended June 30, 2016
with Independent Auditors' Reports*

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

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Asian Human Services, Inc. (the Agency) and affiliate, which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Human Services, Inc. (the Agency) and affiliate as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Agency's and affiliate's 2015 financial statements, and our report dated December 29, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the financial statements from which it has been derived

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

Elmhurst, Illinois
February 7, 2017

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

COMBINED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 878,576	\$ 451,606
Cash held for investment	500,000	-
Investments, Fair Value	97,014	95,456
Accounts and grants receivable, net of \$744,128 of allowance	1,641,278	2,171,769
Prepaid expenses and security deposits	84,955	59,201
Other investments	-	75,113
Construction Work in Progress	364,605	21,513
Land	1,867,945	1,867,945
Buildings	6,141,977	6,127,167
Furniture and equipment	1,814,815	1,717,820
Leasehold improvements	1,565,725	1,444,106
Accumulated depreciation	<u>(3,107,931)</u>	<u>(2,602,785)</u>
TOTAL ASSETS	<u>\$ 11,848,959</u>	<u>\$ 11,428,911</u>
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 346,098	\$ 780,989
Notes payable	3,150,667	3,243,776
Other long term liabilities	<u>184,499</u>	<u>203,759</u>
TOTAL LIABILITIES	<u>\$ 3,681,264</u>	<u>\$ 4,228,524</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 8,141,965	\$ 7,169,140
Temporarily restricted	<u>25,730</u>	<u>31,247</u>
TOTAL NET ASSETS	<u>\$ 8,167,695</u>	<u>\$ 7,200,387</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,848,959</u>	<u>\$ 11,428,911</u>

See accompanying notes to financial statements

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

COMBINED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

<u>SUPPORT:</u>	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Government contracts	\$ 11,103,699	\$ 6,000	\$ 11,109,699	\$ 10,826,595
Patient service revenue, net	3,923,398	-	3,923,398	3,424,804
Food service income	52,509	-	52,509	48,925
Contributions:				
Individuals and Corporate	46,372	-	46,372	32,740
Foundations	515,691	17,500	533,191	578,775
Interest and investment income	2,692	-	2,692	1,192
Program service fees and other	<u>476,389</u>	<u>-</u>	<u>476,389</u>	<u>413,490</u>
	16,120,750	23,500	16,144,250	15,326,521
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>29,017</u>	<u>(29,017)</u>	<u>-</u>	<u>-</u>
Total Support	<u>\$ 16,149,767</u>	<u>\$ (5,517)</u>	<u>\$ 16,144,250</u>	<u>\$ 15,326,521</u>
<u>EXPENSES:</u>				
Program Services	\$ 14,824,070	\$ -	\$ 14,824,070	\$ 14,255,374
Support Services:				
Management and General	766,435	-	766,435	816,248
Fund Raising	<u>86,437</u>	<u>-</u>	<u>86,437</u>	<u>69,539</u>
Total Expenses	<u>15,676,942</u>	<u>-</u>	<u>15,676,942</u>	<u>15,141,161</u>
<u>OTHER INCOME AND EXPENSES</u>				
Investment Income	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>20,113</u>
Change in net assets	<u>\$ 972,825</u>	<u>\$ (5,517)</u>	967,308	205,473
Net assets at beginning of year			<u>7,200,387</u>	<u>6,994,914</u>
Net assets at end of year			<u>\$ 8,167,695</u>	<u>\$ 7,200,387</u>

See accompanying notes to financial statements

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

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Program Services	Support Services			2016	2015
		Management and General	Fund Raising	Total		
Salaries and fringe benefits	\$ 9,898,415	\$ 611,358	\$ -	\$ 611,358	\$ 10,509,773	\$ 9,918,372
Professional services	857,410	183,152	66,992	250,144	1,107,554	1,010,802
Space sharing	655,516	6,153	-	6,153	661,669	668,424
Telecommunication	202,699	13,974	-	13,974	216,673	201,842
Office and instructional supplies	500,878	6,702	3,546	10,248	511,126	463,036
Lab and medical testing	584,683	95	-	95	584,778	591,891
Insurance	113,486	256	-	256	113,742	128,007
Client Services - transportation and assistance	281,739	-	-	-	281,739	287,686
Staff conferences, travel and development	77,732	12,233	-	12,233	89,965	107,523
Memberships and public relations	46,322	2,382	15,899	18,281	64,603	73,713
Utilities	98,576	581	-	581	99,157	172,611
Maintenance and housekeeping	320,543	697	-	697	321,240	279,249
Management fees	319,591	9,617	-	9,617	329,208	294,921
Miscellaneous and others	90,781	6,439	-	6,439	97,220	237,790
Contributed goods and services	28,000	-	-	-	28,000	61,600
Allocation of management and general expenses	<u>361,974</u>	<u>(361,974)</u>	<u>-</u>	<u>(361,974)</u>	<u>-</u>	<u>-</u>
Total expenses before Depreciation and Amortization	14,438,345	491,665	86,437	578,102	15,016,447	14,497,467
Interest Expense	7,830	147,519	-	147,519	155,349	146,302
Depreciation and Amortization	<u>377,895</u>	<u>127,251</u>	<u>-</u>	<u>127,251</u>	<u>505,146</u>	<u>497,392</u>
Total expenses	<u>\$ 14,824,070</u>	<u>\$ 766,435</u>	<u>\$ 86,437</u>	<u>\$ 852,872</u>	<u>\$ 15,676,942</u>	<u>\$ 15,141,161</u>

See accompanying notes to financial statements

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

COMBINED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 967,308	\$ 205,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	505,146	497,392
(Increase) decrease in operating assets		
Investments	(1,558)	198,507
Cash held for investment	(500,000)	-
Accounts and Grant receivable	530,491	(509,108)
Prepaid expenses	(25,754)	36,376
Other investments	75,113	(35,113)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(434,891)	(122,393)
Net Cash Provided (Used) By Operating Activities	1,115,855	271,134
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of furniture & equipment	(96,995)	(104,654)
Construction work in progress	(343,092)	(21,513)
Building, real estate acquisition and improvements	(14,810)	(59,723)
Leasehold improvement	(121,619)	(121,622)
Net Cash Provided (Used) By Investing Activities	(576,516)	(307,512)
CASH FLOW FROM FINANCING ACTIVITIES		
Additional financing	113,187	544,397
Repayment of loans and other liabilities	(225,556)	(326,372)
Net Cash Provided (Used) By Financing Activities	(112,369)	218,025
NET INCREASE (DECREASE) IN CASH	426,970	181,647
CASH, beginning of year	451,606	269,959
CASH, end of year	\$ 878,576	\$ 451,606
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 155,349	\$ 146,302

See accompanying notes to financial statements

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Organization

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

The Agency established Passages Charter School (the School) in 2000. The School's current charter expires on June 30, 2018, and is operating as a division of the Agency. Effective July 2014, the charter agreement was amended to increase student enrollment from 410 to 460 students.

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

The Agency incorporated Asian Human Services Family Health Center, Inc. (the Center), an Illinois corporation, in 2001. The Center is a certified Federally Qualified Health Center since 2003. Its mission is to increase access to primary care for underserved and underprivileged communities living on the north side of Chicago and the suburbs. The Center operates four clinics during fiscal year 2016 providing services for common health problems such as the flu, diabetes, high blood pressure, high cholesterol, etc. Other basic health services performed include routine physical exams, well child services, immunization against vaccine-preventable diseases, OB/GYN and dental services. The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grant to comply with specified conditions and program requirements set forth by the grantor.

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

2. Summary of Significant Accounting Policies

Cash

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

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of Significant Accounting Policies (continue)

Investments

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

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

Building Property and Equipment

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

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

During the year ended June 30, 2016, the School was the recipient of special education clinician services contributed by Chicago Public Schools valued at \$31,125.

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

Revenue Recognition

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

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

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of Significant Accounting Policies (continue)

Reserve for Accounts and Grants Receivable

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

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Agency and affiliate are exempt from Federal income taxes on related income under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made in the accompanying financial statements for income taxes. The Agency's and affiliate's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ended June 30, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not detail changes in net assets by category for fiscal year 2015. Accordingly, such information should be read in conjunction with the Agency's and the Center's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. Restrictions on Net Assets

Substantially all of the restrictions on the temporarily restricted net assets during the year ended June 30, 2016 relate to program advance payments. As program conditions are met, temporarily restricted net assets are reclassified to unrestricted net assets.

4. Patient Accounts Receivable

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Medicaid	\$ 411,349	\$ 937,677
Medicare	33,501	142,990
Private Insurance and Self-pay	<u>349,909</u>	<u>935,484</u>
Subtotal	794,759	\$ 2,016,151
Allowance for Doubtful Accounts	<u>(572,906)</u>	<u>(1,527,613)</u>
Total	<u><u>221,853</u></u>	<u><u>\$ 488,538</u></u>

As of June 30, 2016 approximately 41% of total allowance relates to Medicaid receivables, 3% to Medicare receivables, and 14% to private insurance companies, and 42% to self-pay patients.

5. Fair Value Measurements of Investments

The Agency valued its investments using a three level hierarchy:

Level 1 - quoted prices for investments in active markets for identical assets or liabilities.

Level 2 - other observable inputs such as quoted prices of similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - unobservable inputs, including the Agency's own assumptions and judgement in determining the fair value.

The fair value of the Agency's investments as of June 30, 2016 was \$97,014 of money market funds valued with Level 1 input.

ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. Other Investments

Together4Health

The Center was a non-controlling member in Together4Health, LLC (T4H), an Illinois Limited Liability Company. T4H was created on October 26, 2012 as a Care Coordination Entity (CCE) as defined in the State of Illinois statutes. Its mission was to be a regional community health home safety network that supports vulnerable people including those living with chronic and multiple medical, mental health and substance use conditions, people living in poverty, people experiencing homelessness, the unemployed and underemployed, and those with limited access to services due to cultural or language barriers. For the period ended June 30, 2016, T4H was dissolved. The partnership IRS return (K-1) for the period ended June 30, 2016 reflected the distribution of the partnership capital investment in the amount of \$45,094.

MyCare Chicago

The Center is also a non-controlling (11.11%) equity member in Accountable Care Chicago, LLC (the Company), an Illinois Limited Liability Company, dba MyCare Chicago. The Company has been formed to serve as an Accountable Care Entity (ACE) in accordance with the criteria established by the Illinois Department of Healthcare and Family Services. The mission of the Company is to develop an integrated delivery system, share clinical information, and design and implement a model of care and financial management that provides improved health outcomes to the Medicaid population. The Company has entered into an agreement with Molina Healthcare of Illinois (Molina) to become its partner in risk-based Medicaid managed care. The Center's original capital contribution was returned on August 31, 2015, in addition, all members received a distribution of \$500,000 in January 2016 from sales proceeds.

7. Equipment and Facilities

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

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

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

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

8. Commitments and Contingencies

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

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

As of June 30, 2016, the Agency reserved \$184,499 as a contingent liability to the Illinois Department of Human Services resulting from changes in the terms of the fiscal year 2010 mental health contract.

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

	<u>Agency</u>	<u>School</u>	<u>Total</u>
Fiscal Year 2017	245,048	421,195	666,243
Fiscal Year 2018	172,824	435,089	607,913
Fiscal Year 2019	175,055	-	175,055
Fiscal Year 2020	<u>88,085</u>	<u>-</u>	<u>88,085</u>
	<u>\$ 681,012</u>	<u>\$ 856,284</u>	<u>\$ 1,537,296</u>

The School's lease with the Archdiocese includes required improvements to the facility to be completed at an agreed upon future date, estimated at a total cost of \$1,292,804. The payment of these improvements is the sole responsibility of the tenant (the School) as the rent shown above is net of a partial rebate from the Archdiocese to cover the cost of these improvements. The Agency continues to make capital improvements each year and has completed more than half of the improvements agreed upon as of June 30, 2016.

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

9. Notes payable

	<u>6/30/2016</u>	<u>6/30/2015</u>
Note Payable at 3.11% and adjustable every five years, monthly payment of \$4,590 and matures on March 1, 2021	\$ 242,942	\$ 289,678
Note Payable at 2.89% and adjustable every five years, monthly payment of \$5,614 and matures on February 1, 2021	292,915	350,885
Note Payable at 5.875% and adjustable every five years, monthly payment of \$3,767 and matures in January 2025	303,503	330,441
Note Payable at 5.375% and adjustable every five years, monthly payment of \$3,242 and matures on December 1, 2021	113,187	-
Note Payable at 5% and adjustable every five years, monthly payment of \$5,268 and matures on April 1, 2029	585,172	616,030
Notes Payable at 5%, monthly payment of \$6,968 and matures on December 1, 2017	1,093,629	1,120,917
Note Payable at 6.88% with a monthly payment of \$1,537 for 36 months beginning September 1, 2014	19,319	35,825
Agency revolving line of credit at prime plus 1%	<u>500,000</u>	<u>500,000</u>
Total	<u>\$ 3,150,667</u>	<u>\$ 3,243,776</u>

Interest amounted to \$155,349 and \$146,302 in 2016 and 2015 respectively all of which was expensed. The Notes Payable is secured by the Agency's and the Center's business assets, real estate and guarantees.

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

June 30, 2017	\$ 855,633
June 30, 2018	1,362,655
June 30, 2019	269,778
June 30, 2020	269,778
June 30, 2021	232,513
Thereafter	<u>975,162</u>
Total	<u>\$ 3,965,519</u>

During FY20165, the Agency and the Center have lines-of-credit with a maximum borrowing limit of \$950,000 and \$550,000 respectively. They mature on November 17, 2017 and bear interest at the bank's prime rate plus 1% with an interest rate floor of 5%. Advances under the lines are limited to 80% of the grant and contract receivables. As of June 30, 2016, the Agency has an outstanding balance of \$500,000 on the line-of-credit.

**ASIAN HUMAN SERVICES, INC.
ASIAN HUMAN SERVICES FAMILY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

10. Government Contracts Support

The Statement of Activities reflects the organization or government entity who manages the contracts or grants. The following summary reflects the origin of the funds. Of the total 2016 government contracts support, \$1,195,195 was received from the Illinois Department of Human Services, \$3,183,655 was received from the federal Health and Human Services and \$4,798,217 was received from the Chicago Public Schools. Loss of funding from these sources would require the Agency to seek additional revenue or secure new grants in order to continue to provide its current level of services.

<u>Federal Contracts</u>	<u>2016</u>	<u>2015</u>
Pass-through from City of Chicago:		
Department of Family and Support Services		
Child Care Services for Immigrant Families	\$ 111,544	\$ -
Department of Public Health		
Prevention with Positives	-	36,264
Ryan White Services	-	50,601
Housing Opportunities for Persons with AIDS	88,276	72,795
CDBG - Family Violence Prevention	50,666	40,412
HIV Prevention (AIDS)	-	43,828
Food Program for Women, Infant & Children - FHC	227,820	188,003
Chicago Public Schools		
Title I	153,480	125,973
Title II	36,698	34,101
Title III	23,631	-
Pass-through from Illinois Department of Human Services:		
Employment Services for Disabled FSS	197,740	184,196
Mental Health	135,715	135,716
Donated Funds Initiative Title XX	110,050	110,050
Workfirst, Earnfare, Job Placement & Retention	515,182	536,857
Americorp	169,682	153,125
Pass-through from Illinois Department of Public Health		
HOPWA (HIV)	93,898	24,735
Ryan White Care Services	68,576	55,000
Consolidated Health Centers - FHC	322,133	689,233
Passthrough from Illinois State Board of Education		
Child and Adult Care Food Program	32,197	29,836
Pass-through from Illinois Community College Board		
Adult Education and Family Literacy	168,554	161,157
Pass-through from United Way Metropolitan Chicago		
Emergency Food and Shelter Program	5,000	12,000
Pass-through from IL Dept of Commerce & Economic Opportunity		
SNAP Employment and Training Pilot	48,997	-
Pass-through Chicago Cook Workforce Partnership		
WIA Youth	234,385	301,927
Direct from U.S. Department of Health and Human Services		
Consolidated Health Centers - FHC	<u>3,183,655</u>	<u>1,715,520</u>
Total Federal Contracts	<u>\$ 5,977,879</u>	<u>\$ 4,701,329</u>

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10. Government Contracts Support (Continue)

<u>State Contracts</u>	<u>2016</u>	<u>2015</u>
Illinois Department of Human Services		
Mental Health Non-Medicaid	\$ -	\$ 55,739
Day Care Action for Children	66,826	120,611
SNAP	-	11,062
Employment Services for Disabled FSS	-	64,334
Mental Health Psychiatric Services	-	167,512
Aids Foundation of Chicago		
Office of Rehabilitation Services	178,540	207,472
Illinois Department of Public Health		
Center for Minority Health Services	29,978	34,915
Center for Minority Health - Breast & Cervical Cancer	7,438	24,137
HIV Prevention	-	35,256
HIV Housing	-	75,000
Office of Health Promotion - Quality of Life	-	105,779
Hepatitis B Outreach	48,910	63,502
Ticket for Cure - FHC	17,605	25,000
Breast and Cervical Cancer - FHC	114,714	249,767
Tobacco Settlement - FHC	6,250	12,500
Illinois Community College Board - Adult Education	225,095	313,140
Illinois Secretary of State - Family Literacy	35,000	70,000
Illinois DCEO		
Home Energy Audit Grant	-	86,813
Opportunity Job Training	-	70,445
Total State Contracts	<u>730,356</u>	<u>1,792,984</u>
 <u>Local Contracts and Awards</u>		
CPS Community Partnership Program	131,400	276,900
CPS - Other	150,500	-
Chicago Department of Public Health - HIV Prevention	98,979	48,129
CDBG - Youth Grant	27,834	35,157
CPS - Passages Charter School	4,302,508	4,089,621
Total Local Contracts	<u>4,711,221</u>	<u>4,449,807</u>
Total Government Contracts	\$ <u>11,419,456</u>	\$ <u>10,944,120</u>

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11. Qualified Retirement Plan

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

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (Fund), a defined benefit plan. Members of the Fund include all active 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 the Chicago Public Schools, which remit those contributions to the Fund as applicable employer contributions.

For the year ended June 30, 2016, the School's contributions were 11.16% of estimated pensionable salaries of \$1,589,130. 2016 pension expense of \$170,025 which will be true-up next fiscal year included \$3,125 attributable to the special education clinician in-kind contributed services. For the year ended June 30, 2015, the employer contributions were 11.16% of pensionable salaries of \$1,640,362 and amounted to \$189,761. This amount included \$6,875 attributable to the special education clinician in-kind contributed services.

Eligible School employees were also required to contribute 9% of their pensionable salaries. As a benefit to the employees with continuous employment meeting certain requirements, the School paid a portion of the employee contribution. This amounted to \$5,287 and \$5,715 for the year ended June 30, 2016 and June 30, 2015 respectively.

12. Evaluation of Subsequent Events

The Agency has evaluated subsequent events through February 7, 2017 which is the date financial statements were available to be issued.

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

The terms of the agreement to terminate are confidential, and the Agency would begin managing the operations of the School in fiscal year 2017. The teachers at the School are members of a newly formed teachers Union. The School has been in negotiation with the teachers union on various matters. No contracts have been entered into as of February 7, 2017

On August 1, 2016, the Center was notified that the current business model of MyCare Chicago was not viable. As a result, it was determined that the corporation would be dissolved. Each member received a distribution of \$1.5 million on November 1, 2016.