



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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January 2, 2024

Board of Directors
Human Services, Inc.
P.O. Box 119
Clifford, IN 47226

We have reviewed the audit report of Human Services, Inc., which was opined upon by Wipfli LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Human Services, Inc. as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Wipfli LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

Human Services, Inc. and Subsidiaries

Columbus, Indiana

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2022 and 2021



Human Services, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Human Services, Inc. and Subsidiaries
Columbus, Indiana

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Human Services, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Human Services, Inc. and subsidiaries as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Human Services, Inc. and Subsidiaries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the subsidiaries of Human Services, Inc. were not audited in accordance with *Government Auditing Standards* as they did not receive federal funding.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Human Services, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Services, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Consolidating Statements of Financial Position, Consolidating Statements of Activities, Statements of Financial Position – Low-Income Housing Partnerships, and Statements of Activities – Low-Income Housing Partnerships are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 August 15, 2023, on our consideration of Human Services, Inc.'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 Human Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Services, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

August 15, 2023
Madison, Wisconsin

Human Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2022 and 2021

<i>Assets</i>	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,219,487	\$ 1,014,157
Accounts receivable	137,086	122,919
Grants receivable	738,735	812,618
Contributions receivable - donated space	102,939	0
Investments	13,506	12,838
Prepaid expenses	28,259	28,427
Total current assets	2,240,012	1,990,959
Other assets:		
Restricted cash	687,051	662,268
Contributions receivable - donated space	115,499	0
Right-of-use lease assets - operating	155,819	0
Total other assets	958,369	662,268
Property and equipment, net	6,463,871	6,649,383
TOTAL ASSETS	\$ 9,662,252	\$ 9,302,610

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position (Continued)

December 31, 2022 and 2021

<i>Liabilities and Net Assets</i>	2022	2021
Current liabilities:		
Accounts payable	\$ 422,620	\$ 680,707
Accrued payroll and related	188,473	251,348
Accrued interest payable	1,230	5,039
Accrued real estate taxes	54,705	54,258
Security deposits	43,323	41,894
Prepaid rent	5,343	7,747
Refundable advance liability	0	44,458
Current portion of notes payable	554,288	883,535
Current portion of operating right-of-use lease obligations	73,387	0
Total current liabilities	1,343,369	1,968,986
Long-term liabilities:		
Notes payable, net of debt issuance costs	520,106	1,202,217
Operating right-of-use lease obligations	82,779	0
Total long-term liabilities	602,885	1,202,217
Total liabilities	1,946,254	3,171,203
Net assets:		
Without donor restrictions	6,957,236	5,169,441
Without donor restrictions attributable to non-controlling interest	0	578,001
Total without donor restrictions	6,957,236	5,747,442
With donor restrictions	758,762	383,965
Total net assets	7,715,998	6,131,407
TOTAL LIABILITIES AND NET ASSETS	\$ 9,662,252	\$ 9,302,610

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2022 and 2021

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue:			
Government grants	\$ 17,879,308	\$ 21,888	\$ 17,901,196
Contributions	208,319	182,314	390,633
Rental income	797,241	0	797,241
Investment income	3,670	0	3,670
In-kind contributions	301,102	218,438	519,540
Forgiveness of debt	708,500	0	708,500
Other income	103,325	0	103,325
Net assets released from restrictions	47,843	(47,843)	0
Total revenue	20,049,308	374,797	20,424,105
Expenses:			
Program activities:			
Community services	630,776	0	630,776
Energy assistance	6,339,284	0	6,339,284
Early childhood education	4,186,745	0	4,186,745
Food programs	212,452	0	212,452
Housing programs	5,932,442	0	5,932,442
Health services	321,639	0	321,639
Other programs	193,852	0	193,852
Total program activities	17,817,190	0	17,817,190
Support services:			
Management and general	1,240,441	0	1,240,441
Total supportive services	1,240,441	0	1,240,441
Total expenses	19,057,631	0	19,057,631
Change in net assets - noncontrolling interest	(578,001)	0	(578,001)
Change in net assets - controlling interest	1,569,678	374,797	1,944,475
Total change in net assets	991,677	374,797	1,366,474
Net assets at beginning of year	5,747,442	383,965	6,131,407
Capital contributions	218,117	0	218,117
Net assets at end of year	\$ 6,957,236	\$ 758,762	\$ 7,715,998

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Activities (Continued)

Years Ended December 31, 2022 and 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue:			
Government grants	\$ 14,536,563	\$ 47,864	\$ 14,584,427
Contributions	382,046	64,851	446,897
Rental income	782,405	0	782,405
Investment income	744	0	744
In-kind contributions	371,091	0	371,091
Forgiveness of debt	208,573	0	208,573
Other income	46,938	0	46,938
Net assets released from restrictions	22,174	(22,174)	0
Total revenue	16,350,534	90,541	16,441,075
Expenses:			
Program activities:			
Community services	565,384	0	565,384
Energy assistance	3,412,487	0	3,412,487
Early childhood education	4,438,274	0	4,438,274
Food programs	227,023	0	227,023
Housing programs	5,944,504	0	5,944,504
Health services	318,375	0	318,375
Other programs	585,718	0	585,718
Total program activities	15,491,765	0	15,491,765
Support services:			
Management and general	824,468	0	824,468
Total supportive services	824,468	0	824,468
Total expenses	16,316,233	0	16,316,233
Change in net assets - noncontrolling interest	(101,009)	0	(101,009)
Change in net assets - controlling interest	135,310	90,541	225,851
Total change in net assets	34,301	90,541	124,842
Net assets at beginning of year	5,638,404	293,424	5,931,828
Prior period adjustment	74,737	0	74,737
Net assets at beginning of year, restated	5,713,141	293,424	6,006,565
Net assets at end of year	\$ 5,747,442	\$ 383,965	\$ 6,131,407

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	2022									
	Community Services	Energy Assistance	Early Childhood Education	Food Programs	Housing Programs	Health Services	Other Programs	Total Program Services	Management and General	Total Expenses
Salaries and wages	\$ 186,812	\$ 226,907	\$ 2,404,331	\$ 11,954	\$ 248,740	\$ 223,626	(\$ 44,116)	\$ 3,258,254	\$ 604,972	\$ 3,863,226
Payroll taxes	13,814	16,924	179,746	1,059	18,485	16,694	910	247,632	74,526	322,158
Employee benefits	20,375	31,966	273,441	778	25,523	24,230	1,560	377,873	106,322	484,195
Employee related expenses	6,999	2,614	62,044	2	3,107	1,438	2,742	78,946	23,794	102,740
Professional fees	8,445	22,290	63,726	130	3,071	(2,566)	(10,283)	84,813	143,405	228,218
Supplies	35,921	34,128	344,590	200,304	12,415	6,694	(5,333)	628,719	53,030	681,749
Communications	7,683	8,411	44,000	6	10,949	9,742	1,340	82,131	11,594	93,725
Shipping	472	7,538	573	15	2,299	22	9	10,928	8,876	19,804
Occupancy cost	29,791	30,031	291,923	45	52,055	36,581	(2,485)	437,941	51,173	489,114
Equipment rental and maintenance	9,677	10,524	99,227	1,075	7,625	3,367	3,256	134,751	81,658	216,409
Printing and publications	2,878	4,198	3,886	13	174	498	7	11,654	9,197	20,851
Travel and transportation	3,819	2,228	76,849	5	5,673	511	2,531	91,616	9,541	101,157
Conferences and meetings	3,587	1,911	84,567	14	785	616	101	91,581	10,085	101,666
Specific assistance to individuals	303,332	5,941,646	52,978	0	4,617,894	2,148	124,572	11,042,570	0	11,042,570
Membership dues	283	474	4,923	1	346	252	39	6,318	7,544	13,862
Interest expense	0	0	0	0	68,680	0	0	68,680	0	68,680
Insurance and other expenses	2,156	4,216	34,117	74	(23,230)	2,690	2,120	22,143	44,724	66,867
In-kind expenses	0	0	279,853	0	21,249	0	0	301,102	0	301,102
Depreciation	0	0	0	0	286,360	0	117,474	403,834	0	403,834
Debt forgiveness	0	0	0	0	1,840,680	0	0	1,840,680	0	1,840,680
Housing property operations	0	0	0	0	604,538	0	0	604,538	0	604,538
Eliminations	(5,268)	(6,722)	(114,029)	(3,023)	(1,874,976)	(4,904)	(592)	(2,009,514)	0	(2,009,514)
Total expenses	\$ 630,776	\$ 6,339,284	\$ 4,186,745	\$ 212,452	\$ 5,932,442	\$ 321,639	\$ 193,852	\$ 17,817,190	\$ 1,240,441	\$ 19,057,631

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses (Continued)
 Years Ended December 31, 2022 and 2021

	2021									
	Community Services	Energy Assistance	Early Childhood Education	Food Programs	Housing Programs	Health Services	Other Programs	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 140,734	\$ 187,888	\$ 2,300,193	\$ 37,517	\$ 270,162	\$ 207,461	\$ 38,241	\$ 3,182,196	\$ 400,510	\$ 3,582,706
Payroll taxes	11,510	15,290	192,379	3,355	22,304	16,904	3,053	264,795	58,692	323,487
Employee benefits	13,386	27,380	299,403	3,486	28,902	23,599	3,463	399,619	61,722	461,341
Employee related expenses	5,564	799	69,296	166	4,194	1,370	929	82,318	14,867	97,185
Professional fees	39,098	62,686	108,846	955	42,573	4,894	147,403	406,455	148,285	554,740
Supplies	45,147	22,244	402,698	179,693	16,539	8,551	2,082	676,954	16,022	692,976
Communications	11,007	5,785	49,769	30	14,737	8,960	1,526	91,814	4,771	96,585
Shipping	124	1,297	178	10	556	165	1	2,331	14,684	17,015
Occupancy cost	40,976	11,848	367,432	131	62,365	40,369	10,547	533,668	(34,225)	499,443
Equipment rental and maintenance	11,241	7,826	166,039	2,471	11,511	5,575	1,461	206,124	80,287	286,411
Printing and publications	23	4,662	4,855	10	1,205	37	3	10,795	706	11,501
Travel and transportation	3,088	803	60,339	63	10,569	207	833	75,902	1,381	77,283
Conferences and meetings	4,148	76	51,068	67	200	22	43	55,624	6,219	61,843
Specific assistance to individuals	240,758	3,082,624	168	0	4,835,633	0	30,027	8,189,210	0	8,189,210
Membership dues	305	390	3,946	57	350	200	15	5,263	8,235	13,498
Property maintenance	0	0	0	0	23,835	0	0	23,835	0	23,835
Interest expense	0	0	0	0	166,920	0	0	166,920	0	166,920
Insurance and other expenses	1,867	2,567	38,009	454	9,574	2,084	232,558	287,113	42,312	329,425
In-kind expenses	0	0	351,851	0	19,240	0	0	371,091	0	371,091
Depreciation	0	0	0	0	289,515	0	117,253	406,768	0	406,768
Debt forgiveness	0	0	0	0	208,500	0	0	208,500	0	208,500
Housing property operations	0	0	0	0	506,980	0	0	506,980	0	506,980
Eliminations	(3,592)	(21,678)	(28,195)	(1,442)	(601,860)	(2,023)	(3,720)	(662,510)	0	(662,510)
Total expenses	\$ 565,384	\$ 3,412,487	\$ 4,438,274	\$ 227,023	\$ 5,944,504	\$ 318,375	\$ 585,718	\$ 15,491,765	\$ 824,468	\$ 16,316,233

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Increase (decrease) in cash and cash equivalents and restricted cash:		
Cash flows from operating activities:		
Changes in net assets	\$ 1,366,474	\$ 124,842
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	403,834	406,768
Amortized interest expense	1,065	1,065
Unrealized gain on investments	(668)	(1,428)
Forgiveness of debt	(708,500)	(208,573)
Contributions receivable - donated space	(218,438)	0
Noncash lease expense	347	0
Changes in operating assets and liabilities:		
Accounts receivable	(14,167)	14,426
Grants receivable	73,883	327,158
Prepaid expenses	168	7,899
Accounts payable	(355,065)	12,577
Accounts payable - related parties	0	(18,501)
Accrued payroll and related	(62,875)	103,785
Accrued interest payable	(3,809)	(327)
Accrued real estate taxes	447	480
Refundable advance liability	(44,458)	44,458
Security deposits	1,429	(14,399)
Prepaid rent	(2,404)	5,860
Net cash from operating activities	437,263	806,090
Cash flows from investing activities:		
Capital expenditures	(121,344)	(314,794)
Capital contributions	218,117	0
Collections on notes receivable	0	3,472
Net cash from investing activities	96,773	(311,322)
Cash flows from financing activities:		
Payments on notes payable	(303,923)	(806,269)
Net cash from financing activities	(303,923)	(806,269)
Change in cash and cash equivalents and restricted cash	230,113	(311,501)
Cash and cash equivalents and restricted cash - Beginning of year	1,676,425	1,987,926
Cash and cash equivalents and restricted cash - End of year	\$ 1,906,538	\$ 1,676,425
Supplemental schedule of operating activities:		
Interest paid	\$ 72,489	\$ 86,835
Supplemental schedule of noncash operating and investing activities:		
Purchase of property and equipment included in accounts payable	\$ 136,573	\$ 39,595
Reconciliation of cash and cash equivalents and restricted cash to statement of financial position at December 31, 2022 and 2021:		
Cash and cash equivalents	1,219,487	1,014,157
Restricted cash	687,051	662,268
Total cash and cash equivalents and restricted cash	\$ 1,906,538	\$ 1,676,425

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Human Services, Inc. was incorporated and commenced operations as a not-for-profit organization on October 20, 1965, under the laws of the State of Indiana. The Organization is committed to helping families and children improve their quality of life in Bartholomew, Brown, Decatur, Jackson, Johnson and Shelby counties in Indiana.

On November 26, 1990, Human Services, Inc. formed HSI Properties, Inc. as a wholly owned subsidiary under the laws of the State of Indiana. HSI Properties, Inc. holds a general partner interest in four low-income housing tax credit projects (LIHTC).

HSI Solutions, Inc., is a wholly owned subsidiary of Human Services, Inc. and had no activity during the years ended December 31, 2022 and 2021.

Oak Hill Apartments, LP (Oak Hill) was formed in 1996 for the purpose of constructing 48 housing units in Seymour, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits were available to investors. The general partner is HSI Properties, Inc. and the limited partner is HSI Acquisitions-Oak Hill I, LLC, both of which are wholly owned subsidiaries of Human Services, Inc.

Oak Hill Apartments II, LP (Oak Hill II) was formed in 1999 for the purpose of constructing 24 housing units in Seymour, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits were available to investors. The general partner is HSI Properties, Inc. and the limited partner is HSI Acquisitions-Oak Hill II, LLC, both of which are wholly owned subsidiaries of Human Services, Inc.

Pearson Place, LP (Pearson Place) was formed in 2005 for the purpose of constructing 35 housing units in Shelbyville, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits were available to investors. Effective January 1, 2022, the newly formed HSI Acquisitions-Pearson Place, LLC acquired the 99.9% limited member interests in Pearson Place. HSI Acquisitions-Pearson Place, LLC is a wholly owned subsidiary of Human Services, Inc. and HSI Properties, Inc., a wholly owned subsidiary of Human Services Inc., remains the general partner in the partnership.

Ridgecrest Limited, LP (Ridgecrest) was formed in 2005 for the purpose of constructed 20 housing units in Greensburg, Indiana. Nineteen of the units are rented to low-income individuals and, as a result federal income tax credits were available to investors. The general partner is HSI Properties, Inc. and the limited partner is HSI Acquisitions-Ridgecrest, LLC, both of which are wholly owned subsidiaries of Human Services, Inc.

Principles of Consolidation

These financial statements are consolidated and include the accounts of Human Services, Inc., HSI Properties, Inc., HSI Solutions, Inc., Oak Hill, Oak Hill II, Pearson Place, Ridgecrest, HSI Acquisitions-Oak Hill I, LLC, HSI Acquisitions-Oak Hill II, LLC, HSI Acquisitions-Pearson Place, LLC, and HSI Acquisitions-Ridgecrest, LLC. All material inter-company transactions and accounts are eliminated in consolidation. Collectively, the entities are referred to as the "Organizations."

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principles

Leases

In 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which significantly changes the accounting for leases by requiring lessees to recognize right-of-use assets and lease obligations for operating and finance leases under terms greater than 12 months. The lessor model stays substantially the same, however; there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. The Organization adopted this guidance as of January 1, 2022, and has elected to apply the transition guidance as of the beginning of the period of adoption as permitted under FASB ASC 842. Accordingly, lease information for 2021 is shown in accordance with existing GAAP at that time under FASB ASC 840. There was no effect on net assets as of December 31, 2021. As a result of the adoption of FASB ASC 842, the Organization recognized right-of-use assets and lease obligations totaling \$221,212 as of January 1, 2022.

Contributed Nonfinancial Assets

The Organization adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), as of January 1, 2022. The amendments in this update require entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. ASU No. 2020-07 has been applied retrospectively to all periods presented. There was no change to reported assets or the change in net assets for either year presented.

Classification of Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations 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 (or certain grantor) restrictions. The Board of Directors has designated a total of \$82,200 and \$65,690 of net assets without donor restrictions as reserves for future repairs of Head Start locations and permanent supportive houses at December 31, 2022 and 2021.

Net Assets Attributable to Noncontrolling Interest – Net assets attributable to noncontrolling interest represent the equity interests of outside owners in the consolidated LIHTC projects. These interests are reported as separate components of the Organization's net assets.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as revenue without restrictions.

Use of Estimates

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

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Subtopic 958-605. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as a refundable advance liability.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 606. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Rental Income

Rental income is derived primarily from annual operating leases with tenants. Rental income is recognized when earned.

In-Kind Contributions

In accordance with accounting standards, Human Services, Inc. records in-kind contributions for space, supplies and professional services in the consolidated statements of activities and functional expenses. The accounting standard for in-kind requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different from the in-kind requirements of several of Human Services, Inc.'s grant awards. Human Services, Inc. received contributions of nonprofessional volunteers and consultants with a value of \$784,475 and \$897,876 during 2022 and 2021, respectively, primarily for its Head Start program, which are not recorded in the consolidated statements of activities and functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market investments with original maturities of 90 days or less.

Restricted Cash

Restricted deposits and tenant deposits held in trust are considered restricted cash based upon restrictions of use of funds imposed by the partnership agreements for the LIHTC projects.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts and Grants Receivable

The Organizations analyze accounts and grants receivables and record an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration such factors as changes in the customer's creditworthiness, prior loss experience, and current economic conditions. An account is considered uncollectible when all collection efforts prove worthless. The Organizations consider accounts and grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded at December 31, 2022 or 2021.

Property and Equipment

Property and equipment purchased are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Property and equipment are items with a cost of \$5,000 or more and have a useful life of more than one year. Leasehold improvements are recorded at cost and amortized using the straight-line method over the shorter of the useful life or lease term.

The Organizations report gifts of property and equipment at their estimated fair value as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and equipment purchased with grant funds are owned by Human Services, Inc. while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. The disposition of property and equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds is \$328,434 and \$482,098 at December 31, 2022 and 2021, respectively.

The Organization reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organizations have not recognized any impairment of property and equipment during 2022 and 2021.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Leases Upon Adoption of FASB ASC 842

The Organizations are lessees in multiple noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organizations have elected to use a risk-free rate for a term similar to the remaining lease term at the date of adoption as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organizations have elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organizations are reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organizations recognize short-term lease cost on a straight-line basis over the lease term.

The Organizations made an accounting policy election to not separate the lease components of a contract and its associated non-lease components for all classes of leases.

Debt Issuance Costs

Debt issuance costs represent costs associated with obtaining debt to finance the purchase of the housing projects. Unamortized debt issuance costs have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method, which approximates the effective interest method.

Income Taxes

Human Services, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Indiana income tax.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

HSI Properties, Inc. and HSI Solutions, Inc. are taxable corporations that file returns for federal and state income tax purposes. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the assets and liabilities. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws that will be in effect in the years in which the temporary differences are expected to reverse. No material differences existed as of December 31, 2022 and 2021.

Oak Hill, Oak Hill II, Pearson Place, and Ridgecrest are treated as partnerships for income tax reporting.

HSI Acquisitions-Oak Hill I, LLC, HSI Acquisitions-Oak Hill II, LLC, HSI Acquisitions-Pearson Place, LLC, and HSI Acquisitions-Ridgecrest, LLC are single member LLCs and are treated as disregarded entities for tax purposes. Human Services, Inc. is the sole member of these LLCs and the activity of these LLCs is included in Human Services, Inc.'s annual federal and state returns filed with the Internal Revenue Service and the State of Indiana, respectively.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Functional Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

Notes Receivable from Limited Partnerships

Human Services, Inc. received HOME grant awards from the State of Indiana and Federal Home Loan Bank Affordable Housing Program (AHP) funds. These funds are loaned to limited partnerships, of which Human Services, Inc.'s subsidiaries are partners. The funds loaned to the limited partnerships are for the development of affordable housing projects. Since the funds, have been provided to limited partners that are consolidated in this report, the notes receivable from the limited partnerships and related notes payable to Human Services, Inc., totaling \$257,392 and \$1,265,894 as of December 31, 2022 and 2021, have been eliminated in consolidation.

Subsequent Events

Subsequent events have been evaluated through August 15, 2023, which is the date the consolidated financial statements were available to be issued.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability

The following reflects Organization's financial assets of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Amounts not available also include amounts set aside as reserves that could be drawn upon if the governing board approves that action. The calculation of available financial assets at December 31, 2022 and 2021 is as follows:

	2022	2021
Cash and cash equivalents	\$ 1,219,487	\$ 1,014,157
Accounts receivable	137,086	122,919
Grants receivable	738,735	812,618
Investments	13,506	12,838
Total financial assets at December 31	2,108,814	1,962,532
Less: Accounts payable and accrued liabilities	612,323	937,094
Less: Refundable advance liability	0	44,458
Less: Board designated reserves	82,200	65,690
Less: Net assets with donor restrictions included in financial assets	540,324	383,965
Total available financial assets	\$ 873,967	\$ 531,325

The Organizations have no formal liquidity policy and Human Services, Inc. relies on available grant funding that is requested and received shortly thereafter to ensure it has cash available to meet its current obligations. In addition to the financial assets available, Human Services, Inc. has grant commitments for future expenses as described in Note 14 and has access to draw on a line of credit in the amount of \$125,000, with the full amount available at December 31, 2022 and 2021. Although the Board does not intend to use designated amounts on operations, the board designated reserves may be drawn upon for operations if the governing body approves that action.

Note 3: Concentration of Risk

The Organizations maintain their cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organizations' cash balances at times exceed insured limits as designated by FDIC. The Organizations have not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Financial awards from federal, state and local governmental entities make up approximately 88% and 89% of total revenue for the years ended December 31, 2022 and 2021, respectively. A substantial reduction in the level of this support may have an adverse effect on Human Services, Inc.'s programs and activities.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4: Grants Receivable

Grants receivable at December 31, 2022 and 2021, consisted of the following:

	2022	2021
State programs	\$ 302,201	\$ 267,072
Direct federal programs	384,735	544,732
Other programs	51,799	814
<u>Totals</u>	<u>\$ 738,735</u>	<u>\$ 812,618</u>

Note 5: Investments and Fair Value Measurements

Investments consist of 48 shares of corporate stock held by Human Services, Inc. that is carried at fair value.

Generally accepted accounting principles require disclosure of the measurement of assets and liabilities at fair value. In general, the Organizations determine fair values determined by Level 1 inputs utilizing quoted market prices in active markets. Fair values determined by Level 2 inputs utilize market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. Fair values determined by Level 3 inputs are based on valuation models or methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data.

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities are measured at fair value on a nonrecurring basis. The Organizations do not have any liabilities measured on a recurring basis or any assets or liabilities measured on a nonrecurring basis.

The asset measured at fair value on a recurring basis is the investment in corporate stock, measured using quoted market prices, which is a level 1 input. The value of the stock was \$13,506 at December 31, 2022 and \$12,838 at December 31, 2021.

Note 6: Restricted Cash

The restricted cash balances at December 31, 2022 and 2021, consisted of the following:

	2022	2021
Security deposits	\$ 43,326	\$ 41,294
Replacement reserves	327,249	307,943
Operating reserves	54,257	54,273
Escrow deposits	262,219	258,758
<u>Totals</u>	<u>\$ 687,051</u>	<u>\$ 662,268</u>

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7: Property and Equipment

A summary of property and equipment at December 31, 2022 and 2021 is as follows:

	2022	2021
Land	\$ 165,400	\$ 165,400
Land - partnerships	245,537	245,537
Buildings	2,146,681	2,146,681
Building – partnerships	9,461,395	9,461,395
Building improvements	553,320	553,320
Leasehold improvements	248,000	248,000
Equipment	834,354	897,252
Equipment – partnerships	255,572	255,572
Projects in process	198,162	0
Site costs – partnerships	748,186	802,763
Subtotal	14,856,607	14,775,920
Accumulated depreciation	(8,392,736)	(8,126,537)
<u>Property and equipment, net</u>	<u>\$ 6,463,871</u>	<u>\$ 6,649,383</u>

Note 8: Notes Payable

	2022	2021
<u>Human Services, Inc.</u>		
Note payable to the IHEDA HOME program dated December 1, 2005, with 5.79% interest rate and annual principal and interest payments from the available cash flow of the affiliated housing project. The note was forgiven in June 2022.	\$ 0	\$ 208,500
Note payable to the Federal Home Loan Bank AHP dated December 1, 2005, with 1% interest rate and annual interest payments from the available cash flow of the affiliated housing project. The note was forgiven in June 2022.	0	500,000
<u>HSI Properties, Inc.</u>		
Note payable to German American Bank dated August 3, 2020 with 5.16% interest rate and monthly payments of \$2,087, secured by real estate. Variable interest rate and payments beginning September 1, 2023. Final balloon payment due at maturity on August 1, 2033.	204,453	218,401
Note payable to First Financial Bank dated September 23, 2021 with 4.35% interest rate and monthly payments of \$2,248, secured by real estate. Variable interest rate beginning October 23, 2025. Final balloon payment due at maturity on September 23, 2030.	333,718	345,697

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Notes Payable (Continued)

	2022	2021
<u>Oak Hill</u>		
Note payable to First Financial Bank dated January 30, 2014 with interest at a rate of the Treasury Rate plus 2.86% and a floor of 4.25% (6.74% and 4.41% at December 31, 2022 and 2021, respectively) and monthly payments of \$3,963. The note is secured by a first mortgage and security interest on the property, as well as an assignment of leases and rents associated with the property. The note matures February 1, 2024.	48,424	94,326
<u>Oak Hill II</u>		
Note payable to First Financial Bank dated January 30, 2014 with interest at a rate of the Treasury Rate plus 2.86% and a floor of 4.25% (6.74% and 4.41% at December 31, 2022 and 2021, respectively) and monthly payments of \$2,563. The note is secured by a first mortgage and security interest on the property, as well as an assignment of leases and rents associated with the property. The note matures February 1, 2024.	38,157	63,717
<u>Pearson Place</u>		
Note payable to First Financial Bank with 7.2% interest and monthly payments of \$4,115. The note is secured by a mortgage on real estate. The note matures December 7, 2023.	450,765	464,187
Note payable to Enterprise Housing Partners XVII Limited Partnership (Enterprise), payable in full on June 30, 2022. The note is secured by a guaranty made by Leo Stenz.	0	62,794
Note payable to Enterprise payable in full on June 30, 2022. The note is secured by a guaranty made by Leo Stenz.	0	49,206
Note payable to Enterprise with 7.2% interest and monthly payments of \$679. The note is unsecured, and it matures on June 30, 2039 and was prepaid in 2022.	0	81,112
Subtotals	1,075,517	2,087,940
Unamortized debt issuance costs, net of accumulated amortization	(1,123)	(2,188)
Current maturities	(554,288)	(883,535)
<u>Long-term notes payable</u>	<u>\$ 520,106</u>	<u>\$ 1,202,217</u>

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Notes Payable (Continued)

Future payments of notes payable are as follows:

2023	\$ 554,288
2024	39,655
2025	31,435
2026	34,973
2027	36,481
Thereafter	378,685
<u>Total</u>	<u>\$ 1,075,517</u>

Human Services, Inc. also has a \$125,000 line of credit at a financial institution. The line of credit matures in October 2024. The line of credit has an interest rate of the prime rate plus .50% (8.75% and 3.75% at December 31, 2022 and 2021, respectively) and is collateralized by the assets of Human Services, Inc. There was no outstanding amount drawn on the line of credit at December 31, 2022 and 2021.

Note 9: Net Assets With Donor Restrictions

As of December 31, 2022 and 2021, Human Services, Inc. had net assets with donor restrictions of \$758,762 and \$383,965, respectively, of which \$540,324 and \$383,965 include contributions that have been restricted by donors or grantors for specific program use. As of December 31, 2022, \$218,438 of net assets had a time restriction related to donated space. Net assets of \$47,843 and \$22,174 during the years ended December 31, 2022 and 2021, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes.

Note 10: Employee Retirement Plans

Human Services, Inc. has a 401(K) retirement plan that covers all employees who are at least 21 years old and have been employed for over one year. Human Services, Inc. may make discretionary matching contributions to the plan, which vest with the plan participant according to a vesting period schedule that is dependent on years of service. Employer contributions to the plan were \$66,187 and \$49,217 for the years ended December 31, 2022 and 2021, respectively.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11: Leases

Human Services, Inc. leases various facilities and equipment for the operation of its programs through operating leases that expire through 2026.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Human Services, Inc.'s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Components of lease expense were as follows for the year ended December 31, 2022:

Lease cost:	
Operating lease cost	\$ 67,235
Short-term lease cost	223,537
<u>Total lease cost</u>	<u>\$ 290,772</u>

Supplemental cash flow and other information related to leases is as follows for the year ended December 31, 2022:

Operating cash flows from operating leases	\$ 66,888
Right-of-use assets obtained in exchange for new operating lease liabilities	49,841
Weighted-average remaining lease term	2.48
Weighted-average discount rate	1.16

Maturities of lease liabilities are as follows as of December 31, 2022:

2023	\$ 73,387
2024	53,415
2025	21,100
2026	10,333
<u>Total lease payments</u>	<u>158,235</u>
<u>Less: imputed interest</u>	<u>(2,069)</u>
<u>Total</u>	<u>\$ 156,166</u>

Leases Under ASC 840

Lease expense for the year ended December 31, 2021 was \$224,702. The future minimum lease obligations for Human Services, Inc. were as follows as of December 31, 2021:

2022	\$ 169,000
2023	136,335
2024	126,512
2025	104,395
2026	99,231
Thereafter	137,365
<u>Total lease obligations</u>	<u>\$ 772,838</u>

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12: Rental Income

Rental income for the years ended December 31, 2022 and 2021 was \$797,241 and \$782,405, respectively, and is primarily from annual operating leases at the affordable housing projects. HSI Properties, Inc. leases the property it owns to Human Services, Inc. and Pearson Place leases space to Human Services, Inc. The revenues and expenses related to these leases were \$116,696 and \$113,696 for the years ended December 31, 2022 and 2021, respectively, and are eliminated in consolidation.

The carrying value of the property leased to others is as follows:

	2022	2021
Land - partnerships	\$ 245,537	\$ 245,537
Buildings	325,000	325,000
Building improvements	105,000	105,000
Building – partnerships	9,461,395	9,461,395
Equipment – partnerships	255,572	255,572
Site costs – partnerships	748,187	728,026
Subtotal	11,140,691	11,120,530
Accumulated depreciation	(6,529,526)	(6,243,165)
Totals	\$ 4,611,165	\$ 4,877,365

Note 13: Contributed Nonfinancial Assets

Human Services, Inc. received contributed nonfinancial assets at December 31, consisted of:

	2022	2021
Contributed space	\$ 341,145	\$ 174,845
Supplies	148,250	196,246
Professional services	30,145	0
Totals	\$ 519,540	\$ 371,091

Human Services, Inc. recognizes contributed nonfinancial assets as in-kind contributions revenue on the consolidated statements of activities. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed nonfinancial assets are used for child education and emergency shelter grant program activities. In valuing contributed space, Human Services, Inc. estimated the fair value on the basis of recent comparable sales prices in the local real estate market. Contributed supplies are valued at the estimated fair market value of the supply received, with consideration for age and condition of the supply at the time of the contribution. Contributed professional services are valued at estimated rates consistent with those paid for similar work in the labor market within the area the service is performed.

Human Services recognized contributions receivable for donated space for lease agreements that include future lease payments that are less than the amounts that would be charged for similar space that is rented under similar terms.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13: Contributed Nonfinancial Assets (Continued)

Contributions receivable for the donated space are due as follows:

2023	\$	102,939
2024		78,987
2025		36,512
<hr/>		
Total	\$	218,438

Contributions receivable for future years were not discounted as this would have an immaterial effect on the consolidated financial statements. A reserve for uncollectible amounts was deemed not necessary as management expects to be able to occupy the facilities for the duration of the leases.

Note 14: Commitments and Contingencies

At December 31, 2022, Human Services, Inc. had commitments under various grants of approximately \$3,100,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

These grant programs operated by Human Services, Inc. are subject to audit by agents of grant authorities, the purpose of which is to ensure compliance with grant conditions. Any potential liability for reimbursement, which may arise as a result of such audits, is not believed, by Human Services, Inc.'s management, to be material.

Human Services, Inc. is listed as a co-borrower on an Oak Hill note payable to First financial Bank with an initial loan amount of \$245,676. The outstanding balances on the note at December 31, 2022 and 2021 were \$48,424 and \$94,326, respectively. Human Services, Inc. is also listed as a co-borrower on an Oak Hill II note payable to First Financial Bank with an initial loan amount of \$245,676. The outstanding balances on the note at December 31, 2022 and 2021 were \$38,157 and \$63,717, respectively. Payments by Oak Hill and Oak Hill II on the notes are current and Human Services, Inc. does not expect to have to make any payments as co-borrower.

The operating agreement for Pearson Place contains guarantees on the part of Human Services, Inc.'s subsidiaries.

If at any time after the completion date an operating deficit exists, HSI Properties, Inc. is required to contribute funds as a contribution of capital in an amount equal to Pearson Place's operating deficit. HSI Properties, Inc.'s obligation shall be unlimited through the stabilization date, as defined. HSI Properties, Inc.'s obligation to make operating deficit contributions after the stabilization date is limited to \$95,000. HSI Properties, Inc.'s obligation to make contributions shall terminate when Pearson Place has operated at break-even for at least three consecutive calendar years following the stabilization date and the balance in the operating reserve equals or exceeds \$45,000. The operating deficit contributions made by HSI Properties, Inc. after the stabilization date shall be repayable, without interest. A total of \$25,000 had been advanced as of December 31, 2022 and 2021.

Note 15: Prior Period Adjustment

During the year ended December 31, 2022, a prior period adjustment was made to reclassify property and equipment to accounts receivable and adjust accumulated depreciation for Pearson Place. The net effect of the adjustment was to increase net assets as of January 1, 2021 by \$74,737.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16: Acquisition of Partnership Interest

Effective January 1, 2022, the newly formed HSI Acquisitions-Pearson Place, LLC acquired the 99.9% limited member interests in Pearson Place. HSI Acquisitions-Pearson Place, LLC is a wholly owned subsidiary of Human Services, Inc. and HSI Properties, Inc., a wholly owned subsidiary of Human Services Inc., remains the general partner in the partnership. Net assets attributable to noncontrolling interest totaling \$578,001 was acquired and are reported as net assets without donor restrictions at December 31, 2022 on the consolidating statements of financial position.

Supplementary Information

Human Services, Inc.

Schedule A

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed -through the Indiana State Department of Health			
Women, Infants & Children	10.557	0000000000000000000057563	\$ 290,480
Women, Infants & Children	10.557	0000000000000000000057563	10,051
Women, Infants & Children	10.557	0000000000000000000065552	91,354
Women, Infants & Children	10.557	0000000000000000000065552	4,332
Subtotal 10.557			396,217
Passed-Through Indiana State Department of Education			
Child and Adult Care Food Program	10.558	01-03-0014	184,679
Child and Adult Care Food Program	10.558	01-03-0014	53,869
Subtotal 10.558			238,548
SUBTOTAL U.S. DEPARTMENT OF AGRICULTURE			634,765
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed-Through the Indiana Housing and Community Development Authority			
Emergency Shelter Grants Program	14.231	ESRRHP-021-008	11,420
Emergency Shelter Grants Program	14.231	ES-022-029	22,970
Emergency Shelter Grants Program	14.231	ES-021-031	12,410
COVID-19 Emergency Shelter Grants Program	14.231	ESHP-CV-020-0015	135
COVID-19 Emergency Shelter Grants Program	14.231	ESRR-CV-020-0003	24,619
Subtotal 14.231			71,554
Passed-Through the Indiana Housing and Community Development Authority			
Tenant-Based Rental Assistance Award	14.239	TB-020-003	58,075
Passed-Through the Indiana Housing Authority			
HOME Loan Funds - Ridgecrest Limited, L.P.	14.239	N/A	208,500
Subtotal 14.239			266,575
Passed-Through the Indiana Housing and Community Development Authority			
Continuum of Care Coordinated Entry	14.267	COCCE-021-11	12,000
Passed-Through the Indiana Housing and Community Development Authority			
Housing Choice Voucher Cluster:			
Housing Choice Voucher Program	14.871	HCV-2022-07	4,720,191
SUBTOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			5,070,320

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal and State Awards.

Human Services, Inc.

Schedule A

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through the Indiana Housing and Community Development Authority			
Low-Income Home Energy Assistance	93.568	LI-022-013	3,001,529
COVID-19 Low Income Household Water Assistance Program	93.568	WAT-ARPA-022-013	106,548
COVID-19 Low-Income Home Energy Assistance	93.568	LI-IIJA-022-013	48,434
Low-Income Home Energy Assistance	93.568	LI-023-013	700,059
COVID-19 Low-Income Home Energy Assistance	93.568	LI-ARPA-021-013	2,746,064
Subtotal 93.568			6,602,634
Passed-Through the Indiana Housing and Community Development Authority			
Community Services Block Grant	93.569	CS-021-013	238,861
Community Services Block Grant	93.569	CS-022-013	249,207
CSBG Point-In-Time	93.569	PITCSBG-01	1,120
COVID-19 Community Services Block Grant	93.569	CS-CV-020-013	188,587
Subtotal 93.569			677,775
Direct Funding			
Head Start Cluster:			
Head Start/Early Head Start Program	93.600	05CH011893	4,671,617
COVID-19 Head Start/Early Head Start Program	93.600	05HE001024-01	335,663
Subtotal 93.600 Head Start Cluster			5,007,280
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			12,287,689
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed-Through the United Way			
Emergency Food and Shelter Program	97.024	N/A	10,000
TOTAL FEDERAL EXPENDITURES			\$ 18,002,774
STATE AWARDS			State Expenditures
Passed-Through the Indiana Housing and Community Development Authority			
Housing First Grant	N/A	HFP-21-003	\$ 44,947
Housing First Grant	N/A	HFP-20-004	78,563
TOTAL STATE EXPENDITURES			\$ 123,510

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal and State Awards.

Human Services, Inc.

Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2022

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal and state grant activity of Human Services, Inc. under programs of the federal and state governments for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Human Services, Inc., it is not intended to and does not present the financial position, or the changes in net assets or cash flows of Human Services, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Allocation

Human Services, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Subrecipients

Human Services, Inc. does not have subrecipients or subrecipient expenditures.

Note 5 - Energy Assistance Payments

The Emergency Assistance Payments expenditures under AL Number 93.568 include \$6,041,017 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of Human Services, Inc. during the year ended December 31, 2022.

Note 6 - Balance of Outstanding Loan

The loan program listed subsequently is administered directly by Human Services, Inc., and balances and transactions relating to this program is included in Human Services, Inc.'s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of the loan outstanding at December 31, 2022, consists of:

<u>Program Name</u>	<u>AL Number</u>	<u>Outstanding Balance at December 31, 2022</u>
HOME Loan Funds - Ridgecrest Limited, L.P.	14.239	\$ 0

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position

December 31, 2022

<i>Assets</i>	Human Services, Inc. *	HSI Properties, Inc.
Current assets:		
Cash and cash equivalents	\$ 925,639	\$ 172,753
Accounts receivable	15,000	120,297
Grants receivable	738,735	0
Contributions receivable - donated space	102,939	0
Investments	13,506	0
Interest receivable	0	26,759
Prepaid expenses	17,828	0
Total current assets	1,813,647	319,809
Other assets:		
Investments - subsidiaries	2,049,145	64,233
Restricted cash	0	0
Contributions receivable - donated space	115,499	0
Notes receivable	0	257,392
Right-of-use lease assets - operating	155,819	0
Total other assets	2,320,463	321,625
Property and equipment, net	1,852,706	389,181
TOTAL ASSETS	\$ 5,986,816	\$ 1,030,615
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 391,834	\$ 5,456
Accounts payable - related parties	0	0
Accrued payroll and related	188,473	0
Accrued interest payable	0	0
Accrued real estate taxes	0	0
Security deposits	0	15,000
Prepaid rent	0	0
Refundable advance liability	0	0
Current portion of notes payable	0	27,623
Current portion of operating right-of-use lease obligations	73,387	0
Total current liabilities	653,694	48,079
Long-term liabilities:		
Notes payable, net of debt issuance costs	0	510,551
Operating right-of-use lease obligations	82,779	0
Total long-term liabilities	82,779	510,551
Total liabilities	736,473	558,630
Net assets:		
Without donor restrictions	4,491,581	471,985
With donor restrictions	758,762	0
Total net assets	5,250,343	471,985
TOTAL LIABILITIES AND NET ASSETS	\$ 5,986,816	\$ 1,030,615

* Includes activity for HSI Acquisitions-Oak Hill I LLC, HSI Acquisitions-Oak Hill II LLC, HSI Acquisitions-Pearson Place LLC and HSI Acquisitions-Ridgecrest LLC.

** Includes activity for Oak Hill Apartments LP, Oak Hill Apartments II LP, Pearson Place LP, and Ridgecrest Limited LP.

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position (Continued)

December 31, 2022

<i>Assets</i>	Low-Income Housing Partnerships **	Subtotal	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 121,095	\$ 1,219,487	\$ 0	\$ 1,219,487
Accounts receivable	41,789	177,086	(40,000)	137,086
Grants receivable	0	738,735	0	738,735
Contributions receivable - donated space	0	102,939	0	102,939
Investments	0	13,506	0	13,506
Interest receivable	0	26,759	(26,759)	0
Prepaid expenses	10,431	28,259	0	28,259
Total current assets	173,315	2,306,771	(66,759)	2,240,012
Other assets:				
Investments - subsidiaries	0	2,113,378	(2,113,378)	0
Restricted cash	687,051	687,051	0	687,051
Contributions receivables - donated space	0	115,499	0	115,499
Notes receivable	0	257,392	(257,392)	0
Right-of-use lease assets - operating	0	155,819	0	155,819
Total other assets	687,051	3,329,139	(2,370,770)	958,369
Property and equipment, net	4,221,984	6,463,871	0	6,463,871
TOTAL ASSETS	\$ 5,082,350	\$ 12,099,781	(\$ 2,437,529)	\$ 9,662,252
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Accounts payable	\$ 25,330	\$ 422,620	\$ 0	\$ 422,620
Accounts payable - related parties	25,000	25,000	(25,000)	0
Accrued payroll and related	0	188,473	0	188,473
Accrued interest payable	27,989	27,989	(26,759)	1,230
Accrued real estate taxes	54,705	54,705	0	54,705
Security deposits	43,323	58,323	(15,000)	43,323
Prepaid rent	5,343	5,343	0	5,343
Refundable advance liability	0	0	0	0
Current portion of notes payable	535,706	563,329	(9,041)	554,288
Current portion of operating right-of-use lease obligations	0	73,387	0	73,387
Total current liabilities	717,396	1,419,169	(75,800)	1,343,369
Long-term liabilities:				
Notes payable, net of debt issuance costs	257,906	768,457	(248,351)	520,106
Operating right-of-use lease obligations	0	82,779	0	82,779
Total long-term liabilities	257,906	851,236	(248,351)	602,885
Total liabilities	975,302	2,270,405	(324,151)	1,946,254
Net assets:				
Without donor restrictions	4,107,048	9,070,614	(2,113,378)	6,957,236
With donor restrictions	0	758,762	0	758,762
Total net assets	4,107,048	9,829,376	(2,113,378)	7,715,998
TOTAL LIABILITIES AND NET ASSETS	\$ 5,082,350	\$ 12,099,781	(\$ 2,437,529)	\$ 9,662,252

* Includes activity for HSI Acquisitions-Oak Hill I LLC, HSI Acquisitions-Oak Hill II LLC, HSI Acquisitions-Pearson Place LLC and HSI Acquisitions-Ridgecrest LLC.

** Includes activity for Oak Hill Apartments LP, Oak Hill Apartments II LP, Pearson Place LP, and Ridgecrest Limited LP.

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position

December 31, 2021

<i>Assets</i>	Human Services, Inc. *	HSI Properties, Inc.	HSI Solutions, Inc.
Current assets:			
Cash and cash equivalents	\$ 796,542	\$ 116,427	\$ 0
Accounts receivable	15,000	120,297	0
Grants receivable	812,618	0	0
Investments	12,838	0	0
Interest receivable	840,680	26,759	0
Prepaid expenses	17,996	0	0
Total current assets	2,495,674	263,483	0
Other assets:			
Investments - subsidiaries	1,921,572	64,233	0
Restricted cash	0	0	0
Notes receivable	1,000,000	265,894	0
Total other assets	2,921,572	330,127	0
Property and equipment, net	1,772,018	400,206	0
TOTAL ASSETS	\$ 7,189,264	\$ 993,816	\$ 0
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts payable	\$ 631,552	\$ 1,561	\$ 0
Accounts payable - related parties	0	0	0
Accrued payroll and related	251,348	0	0
Accrued interest payable	0	0	0
Accrued real estate taxes	0	0	0
Security deposits	0	15,000	0
Prepaid rent	0	0	0
Refundable advance liability	44,458	0	0
Current portion of notes payable	208,500	26,335	0
Total current liabilities	1,135,858	42,896	0
Long-term liabilities:			
Notes payable, net of debt issuance costs	500,000	537,763	0
Total long-term liabilities	500,000	537,763	0
Total liabilities	1,635,858	580,659	0
Net assets:			
Without donor restrictions	5,169,441	413,157	0
Without donor restrictions attributable to non-controlling interest	0	0	0
Total without donor restrictions	5,169,441	413,157	0
With donor restrictions	383,965	0	0
Total net assets	5,553,406	413,157	0
TOTAL LIABILITIES AND NET ASSETS	\$ 7,189,264	\$ 993,816	\$ 0

* Includes activity for HSI Acquisitions-Oak Hill I LLC, HSI Acquisitions-Oak Hill II LLC, and HSI Acquisitions-Ridgecrest LLC.

** Includes activity for Oak Hill Apartments LP, Oak Hill Apartments II LP, Pearson Place LP, and Ridgecrest Limited LP.

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position (Continued)

December 31, 2021

<i>Assets</i>	Low-Income Housing Partnerships **	Subtotal	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 101,188	\$ 1,014,157	\$ 0	\$ 1,014,157
Accounts receivable	119,622	254,919	(132,000)	122,919
Grants receivable	0	812,618	0	812,618
Investments	0	12,838	0	12,838
Interest receivable	0	867,439	(867,439)	0
Prepaid expenses	10,431	28,427	0	28,427
Total current assets	231,241	2,990,398	(999,439)	1,990,959
Other assets:				
Investments - subsidiaries	0	1,985,805	(1,985,805)	0
Restricted cash	662,268	662,268	0	662,268
Notes receivable	0	1,265,894	(1,265,894)	0
Total other assets	662,268	3,913,967	(3,251,699)	662,268
Property and equipment, net	4,477,159	6,649,383	0	6,649,383
TOTAL ASSETS	\$ 5,370,668	\$ 13,553,748	(\$ 4,251,138)	\$ 9,302,610
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Accounts payable	\$ 47,594	\$ 680,707	\$ 0	\$ 680,707
Accounts payable - related parties	117,000	117,000	(117,000)	0
Accrued payroll and related	0	251,348	0	251,348
Accrued interest payable	872,478	872,478	(867,439)	5,039
Accrued real estate taxes	54,258	54,258	0	54,258
Security deposits	41,894	56,894	(15,000)	41,894
Prepaid rent	7,747	7,747	0	7,747
Refundable advance liability	0	44,458	0	44,458
Current portion of notes payable	657,357	892,192	(8,657)	883,535
Total current liabilities	1,798,328	2,977,082	(1,008,096)	1,968,986
Long-term liabilities:				
Notes payable, net of debt issuance costs	1,421,691	2,459,454	(1,257,237)	1,202,217
Total long-term liabilities	1,421,691	2,459,454	(1,257,237)	1,202,217
Total liabilities	3,220,019	5,436,536	(2,265,333)	3,171,203
Net assets:				
Without donor restrictions	1,572,648	7,155,246	(1,985,805)	5,169,441
Without donor restrictions attributable to non-controlling interest	578,001	578,001	0	578,001
Total without donor restrictions	2,150,649	7,733,247	(1,985,805)	5,747,442
With donor restrictions	0	383,965	0	383,965
Total net assets	2,150,649	8,117,212	(1,985,805)	6,131,407
TOTAL LIABILITIES AND NET ASSETS	\$ 5,370,668	\$ 13,553,748	(\$ 4,251,138)	\$ 9,302,610

* Includes activity for HSI Acquisitions-Oak Hill I LLC, HSI Acquisitions-Oak Hill II LLC, and HSI Acquisitions-Ridgecrest LLC.

** Includes activity for Oak Hill Apartments LP, Oak Hill Apartments II LP, Pearson Place LP, and Ridgecrest Limited LP.

Human Services, Inc. and Subsidiaries

Schedule C

Consolidating Statement of Activities

Year Ended December 31, 2022

	Human Services, Inc. *	HSI Properties, Inc.	Low-Income Housing Partnerships **	Eliminations	Consolidated
Revenue:					
Government grants	\$ 17,901,196	\$ 0	\$ 0	\$ 0	\$ 17,901,196
Contributions	390,633	0	0	0	390,633
Rental income	67,460	103,896	742,581	(116,696)	797,241
Investment income	3,450	0	220	0	3,670
Earnings (loss) from subsidiary	127,573	0	0	(127,573)	0
In-kind contributions	571,678	0	0	(52,138)	519,540
Forgiveness of debt	708,500	0	1,840,680	(1,840,680)	708,500
Other income	15,422	0	87,903	0	103,325
Total revenue	19,785,912	103,896	2,671,384	(2,137,087)	20,424,105
Expenses:					
Community services	636,044	0	0	(5,268)	630,776
Energy assistance	6,346,006	0	0	(6,722)	6,339,284
Early childhood education	4,300,774	0	0	(114,029)	4,186,745
Food programs	215,475	0	0	(3,023)	212,452
Housing programs	6,829,248	45,068	933,102	(1,874,976)	5,932,442
Health services	326,543	0	0	(4,904)	321,639
Other programs	194,444	0	0	(592)	193,852
Management and general	1,240,441	0	0	0	1,240,441
Total expenses	20,088,975	45,068	933,102	(2,009,514)	19,057,631
Change in net assets - noncontrolling interest	0	0	(578,001)	0	(578,001)
Change in net assets - controlling interest	(303,063)	58,828	2,316,283	(127,573)	1,944,475
Total change in net assets	(303,063)	58,828	1,738,282	(127,573)	1,366,474
Net assets at beginning of year	5,553,406	413,157	2,150,649	(1,985,805)	6,131,407
Capital contributions	0	0	218,117	0	218,117
Net assets at end of year	\$ 5,250,343	\$ 471,985	\$ 4,107,048	(\$ 2,113,378)	\$ 7,715,998

* Includes activity for HSI Acquisitions-Oak Hill I LLC, HSI Acquisitions-Oak Hill II LLC, HSI Acquisitions-Pearson Place LLC and HSI Acquisitions-Ridgecrest LLC.

** Includes activity for Oak Hill Apartments LP, Oak Hill Apartments II LP, Pearson Place LP, and Ridgecrest Limited LP.

Human Services, Inc. and Subsidiaries

Schedule C

Consolidating Statement of Activities

Year Ended December 31, 2021

	Human Services, Inc. *	HSI Properties, Inc.	HSI Solutions, Inc.	Low-Income Housing Partnerships **	Eliminations	Consolidated
Revenue:						
Government grants	\$ 14,584,427	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,584,427
Contributions	446,897	0	0	0	0	446,897
Rental income	65,206	100,081	0	730,814	(113,696)	782,405
Investment income	78,351	0	0	245	(77,852)	744
Earnings (loss) from subsidiary	519,952	(17)	0	0	(519,935)	0
In-kind contributions	371,091	0	0	0	0	371,091
Forgiveness of debt	208,573	0	0	470,962	(470,962)	208,573
Other income	9,911	0	0	37,027	0	46,938
Total revenue	16,284,408	100,064	0	1,239,048	(1,182,445)	16,441,075
Expenses:						
Community services	568,976	0	0	0	(3,592)	565,384
Energy assistance	3,434,165	0	0	0	(21,678)	3,412,487
Early childhood education	4,466,469	0	0	0	(28,195)	4,438,274
Food programs	228,465	0	0	0	(1,442)	227,023
Housing programs	5,553,887	55,899	0	936,578	(601,860)	5,944,504
Health services	320,398	0	0	0	(2,023)	318,375
Other programs	586,992	0	2,446	0	(3,720)	585,718
Management and general	824,468	0	0	0	0	824,468
Total expenses	15,983,820	55,899	2,446	936,578	(662,510)	16,316,233
Change in net assets - noncontrolling interest	0	0	0	(101,009)	0	(101,009)
Change in net assets - controlling interest	300,588	44,165	(2,446)	403,479	(519,935)	225,851
Total change in net assets	300,588	44,165	(2,446)	302,470	(519,935)	124,842
Net assets at beginning of year	5,252,818	368,992	2,446	1,773,442	(1,465,870)	5,931,828
Prior period adjustment	0	0	0	74,737	0	74,737
Net assets at end of year, restated	\$ 5,553,406	\$ 413,157	\$ 0	\$ 2,150,649	(\$ 1,985,805)	\$ 6,131,407

* Includes activity for HSI Acquisitions-Oak Hill I LLC, HSI Acquisitions-Oak Hill II LLC, and HSI Acquisitions-Ridgecrest LLC.

** Includes activity for Oak Hill Apartments LP, Oak Hill Apartments II LP, Pearson Place LP, and Ridgecrest Limited LP.

Human Services, Inc. and Subsidiaries

Schedule D

Statement of Financial Position - Low-Income Housing Partnerships

December 31, 2022

<i>Assets</i>	Oak Hill Apartments, LP	Oak Hill Apartments II, LP	Pearson Place, LP	Ridgecrest Limited, LP	Low-Income Housing Partnerships Subtotal
Current assets:					
Cash and cash equivalents	\$ 31,353	\$ 23,209	\$ 2,048	\$ 64,485	\$ 121,095
Accounts receivable	34,328	186	5,206	2,069	41,789
Prepaid expenses	0	5,760	0	4,671	10,431
Total current assets	65,681	29,155	7,254	71,225	173,315
Other assets:					
Restricted cash	349,499	121,970	42,788	172,794	687,051
Total other assets	349,499	121,970	42,788	172,794	687,051
Property and equipment, net	317,475	339,449	3,001,629	563,431	4,221,984
TOTAL ASSETS	\$ 732,655	\$ 490,574	\$ 3,051,671	\$ 807,450	\$ 5,082,350
<i>Liabilities and Net Assets</i>					
Current liabilities:					
Accounts payable	\$ 5,554	\$ 2,647	\$ 12,435	\$ 4,694	\$ 25,330
Accounts payable - related parties	0	0	25,000	0	25,000
Accrued interest payable	193	26,938	0	858	27,989
Accrued real estate taxes	17,284	9,299	18,932	9,190	54,705
Security deposits	15,850	8,400	11,098	7,975	43,323
Prepaid rent	2,544	115	2,674	10	5,343
Current portion of notes payable	46,122	29,778	450,765	9,041	535,706
Total current liabilities	87,547	77,177	520,904	31,768	717,396
Long-term liabilities:					
Notes payable, net of debt issuance costs	1,894	28,457	0	227,555	257,906
Total long-term liabilities	1,894	28,457	0	227,555	257,906
Total liabilities	89,441	105,634	520,904	259,323	975,302
Net assets (deficit):					
Without donor restrictions	643,214	384,940	2,530,767	548,127	4,107,048
Without donor restrictions attributable to non-controlling interest	0	0	0	0	0
Total without donor restrictions	643,214	384,940	2,530,767	548,127	4,107,048
TOTAL LIABILITIES AND NET ASSETS	\$ 732,655	\$ 490,574	\$ 3,051,671	\$ 807,450	\$ 5,082,350

Human Services, Inc. and Subsidiaries

Schedule D

Statement of Financial Position - Low-Income Housing Partnerships

December 31, 2021

<i>Assets</i>	Oak Hill Apartments, LP	Oak Hill Apartments II, LP	Pearson Place, LP	Ridgecrest Limited, LP	Low-Income Housing Partnerships Subtotal
Current assets:					
Cash and cash equivalents	\$ 30,670	\$ 17,487	\$ 8,161	\$ 44,870	\$ 101,188
Accounts receivable	30,730	46	88,645	201	119,622
Prepaid expenses	0	5,760	0	4,671	10,431
Total current assets	61,400	23,293	96,806	49,742	231,241
Other assets:					
Restricted cash	332,888	118,981	57,248	153,151	662,268
Total other assets	332,888	118,981	57,248	153,151	662,268
Property and equipment, net	395,301	380,808	3,105,767	595,283	4,477,159
TOTAL ASSETS	\$ 789,589	\$ 523,082	\$ 3,259,821	\$ 798,176	\$ 5,370,668
<i>Liabilities and Net Assets</i>					
Current liabilities:					
Accounts payable	\$ 6,979	\$ 2,850	\$ 34,367	\$ 3,398	\$ 47,594
Accounts payable - related parties	0	0	117,000	0	117,000
Accrued interest payable	377	27,069	844,143	889	872,478
Accrued real estate taxes	17,284	9,299	18,485	9,190	54,258
Security deposits	15,500	8,050	10,748	7,596	41,894
Prepaid rent	6,359	927	445	16	7,747
Current portion of notes payable	44,064	28,449	576,187	8,657	657,357
Total current liabilities	90,563	76,644	1,601,375	29,746	1,798,328
Long-term liabilities:					
Notes payable, net of debt issuance costs	49,447	54,937	1,080,712	236,595	1,421,691
Total long-term liabilities	49,447	54,937	1,080,712	236,595	1,421,691
Total liabilities	140,010	131,581	2,682,087	266,341	3,220,019
Net assets (deficit):					
Without donor restrictions	649,579	391,501	(267)	531,835	1,572,648
Without donor restrictions attributable to non-controlling interest	0	0	578,001	0	578,001
Total without donor restrictions	649,579	391,501	577,734	531,835	2,150,649
TOTAL LIABILITIES AND NET ASSETS	\$ 789,589	\$ 523,082	\$ 3,259,821	\$ 798,176	\$ 5,370,668

Human Services, Inc. and Subsidiaries

Schedule E

Statement of Activities - Low-Income Housing Partnerships

Year Ended December 31, 2022

	Oak Hill Apartments, LP	Oak Hill Apartments II, LP	Pearson Place, LP	Ridgecrest Limited, LP	Low-Income Housing Partnerships Subtotal
Revenue:					
Rental income	\$ 264,559	\$ 136,998	\$ 214,115	\$ 126,909	\$ 742,581
Investment income	111	38	8	63	220
Forgiveness of debt	0	0	1,840,680	0	1,840,680
Other income	9,657	4,079	35,028	39,139	87,903
Total revenue	274,327	141,115	2,089,831	166,111	2,671,384
Expenses:					
Housing programs	280,692	147,676	354,915	149,819	933,102
Total expenses	280,692	147,676	354,915	149,819	933,102
Change in net assets - noncontrolling interest	0	0	(578,001)	0	(578,001)
Change in net assets - controlling interest	(6,365)	(6,561)	2,312,917	16,292	2,316,283
Total change in net assets	(6,365)	(6,561)	1,734,916	16,292	1,738,282
Net assets at beginning of year	649,579	391,501	577,734	531,835	2,150,649
Capital contributions	0	0	218,117	0	218,117
Net assets at end of year	\$ 643,214	\$ 384,940	\$ 2,530,767	\$ 548,127	\$ 4,107,048

Human Services, Inc. and Subsidiaries

Schedule E

Statement of Activities - Low-Income Housing Partnerships

Year Ended December 31, 2021

	Oak Hill Apartments, LP	Oak Hill Apartments II, LP	Pearson Place, LP	Ridgecrest Limited, LP	Low-Income Housing Partnerships Subtotal
Revenue:					
Rental income	\$ 256,790	\$ 138,912	\$ 209,748	\$ 125,364	\$ 730,814
Investment income	110	47	26	62	245
Forgiveness of debt	0	0	0	470,962	470,962
Other income	6,744	1,598	12,479	16,206	37,027
Total revenue	263,644	140,557	222,253	612,594	1,239,048
Expenses:					
Housing programs	261,473	140,929	398,016	136,160	936,578
Total expenses	261,473	140,929	398,016	136,160	936,578
Change in net assets - noncontrolling interest	0	0	(101,009)	0	(101,009)
Change in net assets - controlling interest	2,171	(372)	(74,754)	476,434	403,479
Total change in net assets	2,171	(372)	(175,763)	476,434	302,470
Net assets at beginning of year	647,408	391,873	678,760	55,401	1,773,442
Prior period adjustment	0	0	74,737	0	74,737
Net assets at end of year, restated	\$ 649,579	\$ 391,501	\$ 577,734	\$ 531,835	\$ 2,150,649

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*

Board of Directors
Human Services, Inc.
Columbus, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Human Services, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 15, 2023. The financial statements of the subsidiaries were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the subsidiaries.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Services, Inc.'s consolidated 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 consolidated 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 Human Services, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

August 15, 2023
Madison, Wisconsin

Independent Auditor’s Report on Compliance for Each Major Federal Program and Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Human Services, Inc.
Columbus, Indiana

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Human Services, Inc.’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement*, that could have a direct and material effect on Human Services, Inc.’s major federal program for the year ended December 31, 2022. Human Services, Inc.’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Human Services, Inc.’s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Wipfli LLP

August 15, 2023
Madison, Wisconsin

Human Services, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)] No

Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>AL No.</u>
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Housing Choice Voucher Program	14.871
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None