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April 2, 2018

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

We have reviewed the report prepared by Human Services, Inc. and opined upon by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. 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, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Comer, Nowling and Associates, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**Human Services Inc.  
and Subsidiaries**

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**Consolidated Financial  
Statements**

**For The Years Ended  
December 31, 2015 and 2014  
(With Single Audit Section)**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

*Certified Public Accountants*

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
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## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying consolidated statements of financial position of Human Services, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Oak Hill Apartments, LP, Oak Hill Apartments II, LP, Pearson Place, LP, Ridgecrest Limited, LP, Jerman Housing, LLC, or Jerman Housing, LP, which statements reflect total assets of \$10,114,123 and \$10,501,227 as of December 31, 2015 and 2014, respectively, and total support and revenues of \$846,112 and \$819,682 for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned organizations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Human Services, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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 awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 29, 2016, on our consideration of Human Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

***Comer, Nowling And Associates, P. C.***

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

August 29, 2016

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 259,091	\$ 486,502
Security deposits	51,136	53,221
Mortgage escrow	110,380	116,592
Investments	2,609	2,631
Accounts receivable - tenant	14,530	8,785
Grants receivable	594,302	490,688
Operating reserve	115,602	115,564
Replacement reserve	273,454	267,982
Prepaid expenses	34,470	70,843
	<u>1,455,574</u>	<u>1,612,808</u>
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and building improvements	15,125,398	15,105,521
Site costs	814,261	814,261
Personal property	271,460	271,460
Equipment	1,349,479	1,430,685
Land and land improvements	498,887	498,887
	<u>18,059,485</u>	<u>18,120,814</u>
Less accumulated depreciation	(7,722,979)	(7,281,213)
	<u>10,336,506</u>	<u>10,839,601</u>
<b>OTHER ASSETS</b>		
Intangible assets, net	17,125	20,103
	<u>17,125</u>	<u>20,103</u>
Total other assets	<u>17,125</u>	<u>20,103</u>
Total assets	<u>\$ 11,809,205</u>	<u>\$ 12,472,512</u>

See accompanying notes to financial statements.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – (CONTINUED)**  
**DECEMBER 31, 2015 AND 2014**

**LIABILITIES AND NET ASSETS**

	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 309,757	\$ 314,671
Accounts payable - related parties	92,965	82,587
Developer fees payable	92,000	92,000
Accrued payroll taxes and withholdings	54,383	74,928
Accrued interest payable	1,239,068	1,134,571
Accrued real estate taxes	62,344	67,044
Advances payable	19,169	188,430
Security deposits	51,036	52,866
Prepaid rent	2,281	1,591
Current portion of long-term liabilities	83,291	380,614
	<u>2,006,294</u>	<u>2,389,302</u>
<b>LONG-TERM LIABILITIES</b>		
Term loans	4,696,912	4,477,541
	<u>6,703,206</u>	<u>6,866,843</u>
<b>NET ASSETS</b>		
Non-controlling interest in net assets		
Unrestricted	3,286,231	3,701,812
Controlling interest in net assets		
Unrestricted	1,740,689	1,816,588
Temporarily restricted	79,079	87,269
	<u>5,105,999</u>	<u>5,605,669</u>
Total net assets	<u>5,105,999</u>	<u>5,605,669</u>
Total liabilities and net assets	<u>\$ 11,809,205</u>	<u>\$ 12,472,512</u>

See accompanying notes to financial statements.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>		<b>Consolidated Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	
<b>REVENUE AND SUPPORT</b>			
Government grants	\$ 11,390,539	\$ -	\$ 11,390,539
Contributions	262,374	183,148	445,522
Rental income	943,673	-	943,673
Less: Vacancy loss	(48,319)	-	(48,319)
Rent concessions	(2,678)	-	(2,678)
Interest income	2,162	-	2,162
Laundry and vending income	2,830	-	2,830
Miscellaneous tenant charges	18,283	-	18,283
In-kind donations	457,936	-	457,936
Other income	40,362	-	40,362
	<u>13,067,162</u>	<u>183,148</u>	<u>13,250,310</u>
Net assets released from restrictions	191,338	(191,338)	-
	<u>13,258,500</u>	<u>(8,190)</u>	<u>13,250,310</u>
<b>EXPENSES</b>			
CSBG	337,474	-	337,474
Energy assistance	3,551,958	-	3,551,958
Weatherization	623,857	-	623,857
Head Start	4,089,915	-	4,089,915
USDA	214,239	-	214,239
Section 8	2,500,659	-	2,500,659
WIC	318,745	-	318,745
ESG	257,707	-	257,707
Other programs	423,626	-	423,626
Management and general	155,979	-	155,979
Subsidiaries	1,275,821	-	1,275,821
	<u>13,749,980</u>	<u>-</u>	<u>13,749,980</u>
Increase (decrease) in net assets	<u>(491,480)</u>	<u>(8,190)</u>	<u>(499,670)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>			
Non-controlling interest in subsidiary's earnings	(415,578)	-	(415,578)
Controlling interest in subsidiary's earnings	(75,902)	(8,190)	(84,092)
Prior period adjustment	-	-	-
	<u>5,518,400</u>	<u>87,269</u>	<u>5,605,669</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,026,920</u>	<u>\$ 79,079</u>	<u>\$ 5,105,999</u>

See accompanying notes to financial statements.

<b>2014</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Consolidated Total</b>
\$ 10,229,638	\$ -	\$ 10,229,638
282,667	149,281	431,948
932,869	-	932,869
(61,375)	-	(61,375)
(4,421)	-	(4,421)
2,300	-	2,300
3,230	-	3,230
13,404	-	13,404
503,292	-	503,292
58,032	-	58,032
11,959,636	149,281	12,108,917
170,749	(170,749)	-
12,130,385	(21,468)	12,108,917
373,013	-	373,013
2,360,096	-	2,360,096
566,773	-	566,773
4,174,178	-	4,174,178
225,810	-	225,810
2,348,533	-	2,348,533
287,382	-	287,382
332,687	-	332,687
548,407	-	548,407
182,207	-	182,207
1,272,985	-	1,272,985
12,672,071	-	12,672,071
(541,686)	(21,468)	(563,154)
2,095,436	108,737	2,204,173
(442,629)	-	(442,629)
(99,057)	(21,468)	(120,525)
3,964,650	-	3,964,650
\$ 5,518,400	\$ 87,269	\$ 5,605,669

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	CSBG	Energy Assistance	Weatherization	Head Start	USDA
<b>OPERATING EXPENSES:</b>					
Salaries and wages	\$ 209,890	\$ 163,501	\$ 116,104	\$ 2,124,800	\$ 10,998
Payroll taxes	14,557	13,936	9,486	181,401	787
Employee benefits	22,923	23,985	(5,072)	316,816	501
Employee related expenses	1,190	109	431	10,744	1
Professional fees	5,551	49,088	254,972	62,377	522
Supplies	5,365	21,696	12,418	385,108	200,632
Communications	8,711	9,447	1,158	40,471	34
Shipping	2,288	3,959	488	3,723	75
Occupancy cost	32,516	20,903	6,643	353,101	25
Equipment rental and maintenance	1,710	14,681	2,619	34,639	139
Printing and publications	132	157	80	3,204	27
Travel and transportation	7,364	4,207	4,270	115,363	71
Conferences and meetings	13,958	2,398	2,538	85,551	212
Specific assistance to individuals	8,516	3,221,766	215,054	340,138	-
Membership dues	1,213	284	102	4,629	45
Property maintenance	-	-	-	-	-
Utilities	-	-	-	-	-
Interest expense	-	-	-	-	-
Insurance and other expenses	1,590	1,841	2,566	27,850	170
Total expenses reported by function before GAAP adjustments	<u>337,474</u>	<u>3,551,958</u>	<u>623,857</u>	<u>4,089,915</u>	<u>214,239</u>
GAAP adjustments:					
Amortization	-	-	-	-	-
Extraordinary loss	-	-	-	-	-
Depreciation	-	-	-	-	-
Total expenses reported by function after GAAP adjustments	<u>\$ 337,474</u>	<u>\$ 3,551,958</u>	<u>\$ 623,857</u>	<u>\$ 4,089,915</u>	<u>\$ 214,239</u>

See accompanying notes to financial statements.

Section 8	WIC	ESG	Other Programs	Management and General	Subsidiaries	Totals
\$ 116,094	\$ 206,573	\$ 77,205	\$ 180,774	\$ 1,824	\$ -	\$ 3,207,763
10,696	17,604	5,813	16,089	133	-	270,502
15,216	19,482	17,466	35,998	958	-	448,273
80	35	-	629	9,143	-	22,362
5,822	3,735	891	13,875	289	196,066	593,188
12,918	16,953	3,548	10,919	3,582	-	673,139
5,780	11,740	5,832	7,636	-	-	90,809
4,135	1,270	142	586	91	-	16,757
8,594	35,986	14,222	34,119	1,117	-	507,226
3,149	909	841	4,648	-	-	63,335
110	121	21	2,432	-	-	6,284
5,857	1,866	4,280	6,042	108	-	149,428
9,104	377	717	7,830	5,541	-	128,226
2,301,767	-	125,320	97,074	(258)	-	6,309,377
159	196	1	353	-	-	6,982
-	-	-	4	-	240,339	240,343
-	-	-	-	-	87,136	87,136
-	-	-	4,618	41	218,773	223,432
1,178	1,898	1,408	-	2,656	130,434	171,591
<u>2,500,659</u>	<u>318,745</u>	<u>257,707</u>	<u>423,626</u>	<u>25,225</u>	<u>872,748</u>	<u>13,216,153</u>
-	-	-	-	-	2,978	2,978
-	-	-	-	1,044	-	1,044
-	-	-	-	129,710	400,095	529,805
<u>\$ 2,500,659</u>	<u>\$ 318,745</u>	<u>\$ 257,707</u>	<u>\$ 423,626</u>	<u>\$ 155,979</u>	<u>\$ 1,275,821</u>	<u>\$ 13,749,980</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	CSBG	Energy Assistance	Weatherization	Head Start	USDA
<b>OPERATING EXPENSES:</b>					
Salaries and wages	\$ 147,854	\$ 171,376	\$ 118,991	\$ 2,156,407	\$ 16,969
Payroll taxes	12,594	17,811	11,140	224,388	1,848
Employee benefits	107,646	34,020	24,913	368,264	12,478
Employee related expenses	2,244	732	36	14,734	1
Professional fees	11,111	37,858	202,970	57,847	924
Supplies	7,511	11,074	5,041	212,586	191,276
Communications	10,480	13,937	1,796	37,617	1
Shipping	2,193	3,524	636	5,697	182
Occupancy cost	30,497	38,422	7,882	431,980	1,155
Equipment rental and maintenance	5,056	21,160	5,001	47,351	228
Printing and publications	201	357	158	5,029	74
Travel and transportation	4,754	4,358	6,143	138,140	96
Conferences and meetings	4,070	1,445	634	98,315	149
Specific assistance to individuals	23,855	2,002,452	180,054	343,240	-
Membership dues	564	436	251	2,896	54
Property maintenance	-	-	-	-	-
Utilities	-	-	-	-	-
Interest expense	-	-	-	-	-
Insurance and other expenses	2,383	1,134	1,127	29,687	375
Total expenses reported by function before GAAP adjustments	<u>373,013</u>	<u>2,360,096</u>	<u>566,773</u>	<u>4,174,178</u>	<u>225,810</u>
GAAP adjustments:					
Amortization	-	-	-	-	-
Depreciation	-	-	-	-	-
Total expenses reported by function after GAAP adjustments	<u>\$ 373,013</u>	<u>\$ 2,360,096</u>	<u>\$ 566,773</u>	<u>\$ 4,174,178</u>	<u>\$ 225,810</u>

See accompanying notes to financial statements.

Section 8	WIC	ESG	Other Programs	Management and General	Subsidiaries	Totals
\$ 139,199	\$ 183,257	\$ 96,156	\$ 262,006	\$ 682	\$ -	\$ 3,292,897
12,914	18,910	9,515	22,765	110	-	331,995
32,299	4,646	18,686	42,048	28	-	645,028
130	309	47	1,347	6,227	-	25,807
4,319	2,859	1,046	38,826	1,315	197,484	556,559
5,256	23,335	4,690	6,419	807	-	467,995
4,378	11,204	5,095	5,530	4	-	90,042
3,518	1,903	260	1,733	-	-	19,646
8,134	35,400	10,394	37,077	34	-	600,975
1,864	1,117	1,365	3,537	420	-	87,099
194	749	236	978	308	-	8,284
4,893	1,397	5,786	8,634	27	-	174,228
744	402	83	4,418	1,990	-	112,250
2,129,434	-	177,330	112,249	630	-	4,969,244
74	111	110	840	-	-	5,336
-	-	-	-	-	209,344	209,344
-	-	-	-	-	95,611	95,611
-	-	-	-	1,096	224,349	225,445
1,183	1,783	1,888	-	-	126,016	165,576
<u>2,348,533</u>	<u>287,382</u>	<u>332,687</u>	<u>548,407</u>	<u>13,678</u>	<u>852,804</u>	<u>12,083,361</u>
-	-	-	-	-	3,100	3,100
-	-	-	-	168,529	417,081	585,610
<u>\$ 2,348,533</u>	<u>\$ 287,382</u>	<u>\$ 332,687</u>	<u>\$ 548,407</u>	<u>\$ 182,207</u>	<u>\$ 1,272,985</u>	<u>\$ 12,672,071</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (499,670)	\$ (563,154)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Prior period adjustment	-	413,899
Depreciation	529,805	585,610
Amortization	2,978	3,100
Increase (decrease) in cash from changes in:		
Grants receivable	(103,614)	(33,769)
Accounts receivable	(5,745)	(358)
Mortgage escrow	998	1,571
Security deposits	2,085	(1,910)
Operating reserve	(37)	(56)
Notes receivable	-	(7,906)
Other assets	24,613	2,179
Prepaid expenses	36,373	(16,086)
Accounts payable and accrued expenses	81,813	211,639
Prepaid rent	690	6
Advances payable	(169,261)	185,499
Net cash provided by (used in) operating activities	<u>(98,972)</u>	<u>780,264</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Deposits to replacement reserves	(259)	(28,663)
Investments	22	(372,810)
Acquisition of property and equipment, net	(26,710)	59,128
Net cash provided by (used in) investing activities	<u>(26,947)</u>	<u>(342,345)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of financing fees	-	(8,165)
Proceeds from borrowing	-	6,562
Repayment of term loans	(101,492)	(101,167)
Net cash provided by (used in) financing activities	<u>(101,492)</u>	<u>(102,770)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(227,411)</b>	<b>335,149</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>486,502</u>	<u>151,353</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 259,091</u></u>	<u><u>\$ 486,502</u></u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for:		
Interest	<u><u>\$ 114,872</u></u>	<u><u>\$ 225,445</u></u>

See accompanying notes to financial statements.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Human Services, Inc. (the “Organization”), and its wholly-owned subsidiaries, HSI Properties, Inc. and HSI Solutions, Inc. The statements also include the following for-profit tax credit partnerships established to construct and rent apartment units to low-income individuals, which result in federal income tax credits being made available to investors: Oak Hill Apartments, LP, Oak Hill Apartments II, LP, Pearson Place LP, and Ridgecrest Limited, LP. HSI Properties is the general partner in each of these partnerships and has a .01% controlling financial interest in Pearson Place, L.P. and .1% controlling interest in the others. HSI Properties also has a 50% controlling financial interest in Jerman Housing, LLC, an entity which has a .01% controlling financial interest as a general partner in Jerman Housing, LP, an entity which also constructs and rents apartment units to low-income individuals. In accordance with FASB ASC 958-810-15-4, consolidation is required for each of the previously mentioned entities and all material intercompany transactions have been eliminated in the consolidation.

**NATURE OF ACTIVITIES**

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. As discussed above and below, HSI Properties, Inc. holds a general partner interest in four low-income housing projects and membership in one limited liability company which holds general partner interest in one low-income housing project.

Oak Hill Apartments, L.P. 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 are available to investors. As discussed above, the general partner is HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. The investor limited partner is House Investments - 1997 Tax Credits, LP. The special limited partner is House Investments Credit Associates, LLC.

Oak Hill Apartments II, L.P. 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 are available to investors. As discussed above, the general partner is HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. The investor limited partners are House Investments - Midwest Corporate Tax Credit Fund V, L.P., House Investments - Irwin Union Tax Credit Fund, L.P., and House Investments - Midwest Corporate Tax Credit Fund IV, L.P. The special limited partner is House Investments Credit Associates II, LLC.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**NATURE OF ACTIVITIES – (continued)**

Pearson Place, L.P. (the Partnership) 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 are available to investors. As discussed above, the general partner is HSI Properties, Inc, a wholly owned subsidiary of Human Services, Inc. The limited partner is Enterprise Housing Partners XIII Limited Partnership.

Ridgecrest Limited, L.P. (the Partnership) 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 are available to investors. As discussed above, the general partner is HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. The investor limited partner is House Investments - Midwest Corporate Tax Credit Fund IV, L.P. and the special limited partner is House Investments Credit Associates, LLC.

Jerman Housing, L.P. (the Partnership) was formed in 2002 for the purpose of constructing 36 housing units in Greensburg, Indiana. The units are rented to low income individuals and, as a result, federal income tax credits are available to investors. The general partner is Jerman Housing, LLC. As discussed above, HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. (HSI), and Maxwell Properties V, Inc., are members of the general partner. The limited partner is Freddie Mac Equity II-ESIC Limited Partnership. The sponsor of the project is Human Services, Inc.

**BASIS OF ACCOUNTING**

The financial statements of the Organization and Subsidiaries have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**REVENUE RECOGNITION**

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as the services are provided.

The Subsidiary and the entities in which it holds a controlling interest recognize revenue as it is earned and billed.

**PROPERTY AND EQUIPMENT**

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of five to thirty-nine years. The following is a summary of the lives for each class of asset:

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**PROPERTY AND EQUIPMENT – (continued)**

Buildings/leasehold improvements	5 - 40 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

Total depreciation expense for the years ended December 31, 2015 and 2014, was \$129,710 and \$168,529.

HSI Properties, Inc. provides for depreciation in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. It is the Subsidiary's general practice to charge maintenance and repairs to expense in the current period. As of December 31, 2015 and 2014, the Subsidiary maintained no property and equipment on its Statement of Financial Position.

See additional accounting policies disclosures for each additional subsidiary in the subsequent pages of Note 2.

**INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Income tax expense for the Subsidiaries will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2015 and 2014.

The Organization and subsidiaries have adopted the accounting policy to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded.

**FINANCIAL STATEMENT PRESENTATION**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For comparability purposes, the Subsidiary's financial statement presentation follows that of the Organization. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**FINANCIAL STATEMENT PRESENTATION – (continued)**

*Unrestricted net assets* represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

*Temporarily restricted net assets* represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Temporarily restricted net assets* also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

*Permanently restricted net assets* represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization's unrestricted net assets are presented on the statement of financial position. See Note 13 for a description of the Organization's temporarily restricted net assets. As of December 31, 2015 and 2014 the Organization does not have any permanently restricted net assets. In addition, as of December 31, 2015 and 2014 the Subsidiaries do not have any temporarily or permanently restricted net assets.

**USE OF ESTIMATES**

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

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**EXPENSE ALLOCATION**

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**CONTRIBUTIONS**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**INVESTMENTS**

The classification of investments is generally determined at the date of purchase or donation. Gains and losses on the sale of investments are recognized on a specific identification basis.

Investments of the Organization consist of corporate stock, are stated at fair value, and are summarized as follows, at December 31, 2015 and 2014:

	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
<u>As of December 31, 2015:</u>			
Wells Fargo & Company Stock	\$ 1,049	\$ 2,609	\$ 1,560
<u>As of December 31, 2014:</u>			
Wells Fargo & Company Stock	\$ 1,049	\$ 2,631	\$ 1,582

**GOVERNMENT GRANTS**

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred would be reflected as refundable advances in the Consolidated Statements of Financial Position.

**INTEREST INCOME**

Interest income is recognized in the accounting period in which it is earned. The Organization maintains funds received from various sources in interest bearing checking accounts. The portion of interest on advances of direct funds is remitted to the federal funding sources in accordance with OMB Circular A-110, Attachment D, *Uniform Administrative Requirements of Grants and Agreements with Non-profit Organizations*. The interest earned on other funds is included in unrestricted funds and is used to support the Organization's programs. This is in

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**INTEREST INCOME – (continued)**

accordance with the Intergovernmental Cooperation Act (31 U.S.C. 6501 etc seq) and applicable State of Indiana regulations.

**COST ALLOCATION**

Common costs of the Organization are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Common costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods for the Organization are as follows:

Personnel

Agency administrative personnel record the time they spend working on specific programs and general agency matters on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charges to programs.

Supplies

All supplies purchased for general use and stored in main office supply room will be charged to Community Services Block grant.

Building

Unallocated occupancy costs are allocated based on the rent distribution(s) at each location. Rent distributions are based on square footage used by each program at each specific location. Occupancy costs include rent, utilities, pest control, trash pick-up, security, fire protection, storage and building maintenance.

Printing Costs

Unallocated printing costs are allocated based on each program's percentage of direct labor hours. The most recent month's calculated percentage is used.

Insurance

Insurance is allocated to benefiting programs depending on the equipment, space or people covered by the insurance. Unallocated insurance is allocated based on the payroll of the program, the number of employees involved, amount of assigned equipment and/or the rent distribution for the specific location. Examples of unallocated insurance include Officers and Directors Insurance and non-profit umbrella policy.

Other Joint Costs

Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based on the amounts used by each program.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The grants receivable represent amounts the Organization has filed claims for the year ended and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible as of December 31, 2015 and 2014 is zero. Therefore, as of December 31, 2015 and 2014 no bad debt allowance is considered necessary.

**DONATED MARKETABLE SECURITIES**

Donated marketable securities are presented at their fair market value.

**SUBSEQUENT EVENTS**

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

**IN-KIND CONTRIBUTIONS**

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and support by the same amount. For the years ended December 31, 2015 and 2014, this adjustment amounted to \$457,936 and \$503,292, respectively, and is included in revenue and support on the Consolidated Statements of Activities and Changes in Net Assets.

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities. The Organization is required by Generally Accepted Accounting Principles to only report contributions of services received that create or enhance a non-financial assets or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. These requirements are different from the in-kind requirements of the Organization's grant funding sources.

During 2015 and 2014, the Organization also received other in-kind contributions totaling \$389,438 and \$374,198, respectively, related to its Head Start program which includes services from non-professional volunteers during 2015 and 2014, which are not recorded in the Consolidated Statement of Activities and Changes in Net Assets.

	<u>2015</u>	<u>2014</u>
Head Start In-Kind space	\$ 118,033	\$ 162,209
Head Start In-Kind supplies/food	223,906	225,437
Head Start In-Kind professional services	115,997	115,646
Total In-Kind per GAAP	457,936	503,292
Head Start volunteer services	389,438	374,198
Total In-Kind for All Programs	<u>\$ 847,374</u>	<u>\$ 877,490</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES**

**OAK HILL APARTMENTS, LP**

For purposes of the statements of cash flows, financial instruments with an original maturity of three months or less are considered to be cash equivalents.

Land and buildings are recorded at initial purchase price, plus the cost of construction. Buildings and personal property are depreciated using the straight-line method over lives of 27-1/2 years and 5 years, respectively. Land improvements are depreciated using the straight-line method over 15 years.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2015 or 2014.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Permanent financing costs are amortized over the term of the permanent mortgage on a straight-line basis.

No provision for income taxes has been included in these financial statements since taxable income or losses pass through to, and are reportable by, the individual partners.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results may differ from these estimates.

**OAK HILL APARTMENTS II, LP**

For purposes of the statements of cash flows, financial instruments with an original maturity of three months or less are considered to be cash equivalents.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however the effect of using the direct 'write-off' method is not materially different from the results that would have been obtained under the allowance method.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**OAK HILL APARTMENTS II, LP – (continued)**

Land and buildings are recorded at initial purchase price plus the cost of construction. Construction period interest and certain holding costs have been capitalized. Buildings, land improvements, and personal property are depreciated using the straight-line method over lives of 27-1/2 years, 15 years, and 5 years, respectively.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2015 or 2014. Syndication costs are capitalized and not amortized. Permanent financing costs are capitalized and amortized over the term of the permanent mortgage on a straight-line basis.

No provision for income taxes has been included in these financial statements since taxable income or losses pass through to, and are reportable by, the individual partners.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results may differ from these estimates.

**PEARSON PLACE, LP**

The buildings and improvements were transferred from construction in progress when the units were placed in service. Construction period interest and certain holding costs have been capitalized. The buildings, site costs, and personal property are depreciated using the straight-line method over lives of 40 years, 15 years, and 5 years, respectively. Permanent financing costs are capitalized and amortized over the term of the permanent mortgage on a straight-line basis. Syndication costs are capitalized and not amortized.

The buildings and improvements were transferred from construction in progress when the units were placed in service. Construction period interest and certain holding costs have been capitalized. The buildings, site costs, and personal property are depreciated using the straight-line method over lives of 40 years, 15 years, and 5 years, respectively. Permanent financing costs are capitalized and amortized over the term of the permanent mortgage on a straight-line basis. Syndication costs are capitalized and not amortized.

For purposes of the statements of cash flows, financial instruments with an original maturity of three months or less are considered to be cash equivalents.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
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**NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**PEARSON PLACE, LP – (continued)**

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2015 or 2014.

No provision for income taxes has been included in these financial statements since taxable income or losses pass through to, and are reportable by, the individual partners.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results may differ from these amounts.

**RIDGECREST LIMITED, LP**

For purposes of the statements of cash flows, financial instruments with an original maturity of three months or less are considered to be cash equivalents. Land, buildings, and improvements are recorded at initial purchase price, plus the cost of construction. Construction period interest and certain holding costs have been capitalized. Buildings, site improvements, and personal property are depreciated using the straight-line method over lives of 39 years, 15 years, and 5 years, respectively.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2015 or 2014.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Syndication costs are capitalized and not amortized. Permanent financing costs are capitalized and amortized over the term of the permanent mortgage on a straight-line basis.

No provision for income taxes has been made in these financial statements since taxable income or losses pass through to, and are reportable by, the individual partners.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Actual results may differ from these estimates.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**JERMAN HOUSING, LP**

The buildings and improvements were transferred from construction in progress when the respective units were placed in service. They are recorded at initial purchase price plus the cost of rehabilitation. Construction period interest and certain holding costs were capitalized. The buildings, site improvements, and personal property are depreciated using the straight-line method over lives of 40 years, 15 years, and 5 years, respectively.

In accordance with FASB ASC 360-10-35, the Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. There were no impairment losses recognized in 2015 or 2014.

Syndication costs are recorded as a reduction of capital and not amortized. Permanent financing costs will be amortized over the term of the permanent mortgage on a straight-line basis.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

No provision for income taxes has been included in these financial statements since taxable income or losses pass through to, and are reportable by, the individual partners.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results may differ from these amounts.

**NOTE 3 – CASH**

The consolidated cash balance consisted of the following as of December 31, 2015 and 2014:

	<u><b>2015</b></u>	<u><b>2014</b></u>	
Checking Accounts	\$ 259,091	\$ 486,502	
Petty Cash	-	-	
	<u>\$ 259,091</u>	<u>\$ 486,502</u>	

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 – RELATED PARTIES AND NOTES RECEIVABLE**

HSI Properties, Inc. is a wholly owned Subsidiary of the Organization. In addition, HSI Properties owns a minority general partner interest in Oak Hill Apartments I, L.P., Oak Hill Apartments II, L.P., Ridgecrest, L.P., and Pearson Place, L.P. HSI Properties is also a 50% member of Jerman Housing, LLC which owns a minority general partner interest in Jerman Housing, L.P.

The Organization has provided \$235,732 of funds to Oak Hill Apartments, L.P. under the Affordable Housing Program (AHP). Dated May 7, 1997, the note accrues interest annually at a rate of 1% and the balance of all unpaid principal and interest is due on May 1, 2017. The note is collateralized by all of the real estate and land improvements of the partnership. As of December 31, 2015 and 2014 the balance of the note receivable was \$235,732.

The Organization has also provided \$490,132 of funds to Oak Hill Apartments, L.P. under the Home Investment Partnership Program (HOME). Dated September 1, 1997, the note accrues interest at a rate of 1% per annum and the balance of all unpaid principal and interest is due on September 1, 2017. The note is collateralized by a mortgage lien and security interest in the partnership's property, subordinate to a mortgage in favor of Irwin Union Bank. As of December 31, 2015 and 2014 the balance of the note receivable was \$490,132.

The Organization has provided \$464,000 to Oak Hill Apartments II, L.P. through the Indiana Housing Finance Authority (IHFA). Dated June 26, 2001, the note bears interest at 2.35% per annum, is payable in semi-annual installments of \$15,209 and matured on June 30, 2008. The mortgage note is collateralized by certain real estate, improvements and an assignment of rents earned by the partnership. During 2008, the Organization refinanced the mortgage note with Irwin Union Bank. All principal and accrued interest amounts on the IHFA note were then repaid. In 2008, the Organization provided \$325,000 to Oak Hill Apartments II L.P through the refinancing of this loan. The new loan refinanced with Irwin Union Bank, dated September 29, 2008, requires annual interest at the rate of 5.5% per annum. Principal and interest payments of \$2,676 began on November 15, 2008. The note matured on October 15, 2013. The note was refinanced on January 30, 2014 and requires monthly payments of \$2,563. Interest is based on the United States Treasury Rate plus 2.86% with a floor of 4.25%. The note matures February 1, 2024. The note is secured by certain real estate and the assignment of rents. As of December 31, 2015 and 2014 the balance of the note was \$206,962 and \$227,612, respectively.

The Organization has also provided \$300,000 to Oak Hill Apartments II, L.P. through the Affordable Housing Program of the Federal Home Loan Bank (FHLB). Dated February 11, 2000, the note requires annual interest payments of 1% to be each December 31, to the extent of available cash flow. The note is collateralized by certain real estate and improvements of the partnership and the balance of all unpaid principal and interest is due on February 11, 2020. As of December 31, 2015 and 2014 the balance of the note receivable was \$300,000.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 4 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)**

HSI Properties, Inc. has made operating advances totaling \$20,489 to Oak Hill Apartments II, L.P. which bears interest at a rate of 6% per annum. These advances are unsecured and can only be repaid subject to available cash flow. As of December 31, 2015 and 2014 none of the advances had been repaid and \$20,489 was still receivable.

The Organization has provided \$208,500 to Ridgecrest Limited, L.P. through the HOME program. Dated June 22, 1999, the note bears interest at 5.79% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by a subordinated mortgage on the real estate of the partnership and the balance of all unpaid principal and interest is due on June 22, 2019. As of December 31, 2015 and 2014 \$208,500 was still receivable on the note.

The Organization has provided \$360,000 to Jerman Housing, L.P. through the AHP program. Dated July 30, 2003, the note bears interest at 4.17% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2033. As of December 31, 2015 and 2014 the balance of the note receivable was \$360,000.

The Organization has also provided \$300,000 to Jerman Housing, L.P. through the AHP program of the FHLB. Dated July 30, 2003, the note bears interest at 4.65% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2033. As of December 31, 2015 and 2014 the balance of the note receivable was \$300,000.

The Organization has provided \$500,000 to Pearson Place, L.P. through the AHP program. Dated December 1, 2005, the note bears interest at 5% per annum with payments of principal and interest being made from available cash flow. The note is collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest is due on December 31, 2035. As of December 31, 2015 and 2014 the balance of the note receivable was \$500,000.

The Organization has also awarded \$500,000 of funds to Pearson Place, L.P. under the Home Investment Partnership Program (HOME). Dated December 1, 2005, the note accrues interest at a rate of 5% per annum and the balance of all unpaid principal and interest is due on December 31, 2035. The note is collateralized by a mortgage lien and security interest in the partnership's property, subordinate to a first and second mortgage. As of December 31, 2015 and 2014 the balance on the note was \$500,000.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 4 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)**

The future maturities of long-term notes receivable are as follows for the year ended December 31, 2015:

2016	\$ 21,944
2017	748,759
2018	23,887
2019	24,922
2020	25,957
Thereafter	<u>2,276,346</u>
Total related party notes	3,121,815
Plus: revolving loans	<u>27,422</u>
Total notes receivable	<u><u>\$ 3,149,237</u></u>

**OAK HILL APARTMENTS, LP**

The following represent related party transactions on behalf of Oak Hill Apartments, LP:

Human Services, Inc. is entitled to an annual supervisory and incentive management fee, as defined, subject to the availability of cash flow. No fee was accrued for December 31, 2015 and 2014.

The special limited partner is entitled to an annual administration services fee in the amount of \$2,000. The fees totaling \$8,000 and \$10,000 are included in accounts payable – related parties at December 31, 2015 and 2014, respectively.

**OAK HILL APARTMENTS II, LP**

The following represent related party transactions on behalf of Oak Hill Apartments II, LP:

Per the partnership agreement, HSI Properties, Inc. is to receive an annual supervisory and incentive management fee equal to 85% of cash flow, as defined, but not to exceed \$50,000 annually. The fee shall not accrue if cash flow is unavailable to pay in any year. No fees were accrued for 2015 or 2014.

The special limited partner, House Investments Credit Associates II, LLC, is to receive an annual administration services fee of \$1,000. The fees totaling \$5,000 and \$8,000 are included in accounts payable – related parties at December 31, 2015 and 2014, respectively.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)**

**PEARSON PLACE, LP**

The following represent related party transactions on behalf of Pearson Place, LP:

Enterprise Community Investment, Inc. (ESIC), the general partner of the limited partner, is entitled to an annual investor services fee of \$3,000 beginning in 2007. The fee is to increase at the rate of 3% per year thereafter. The fee is payable from available cash flow, as defined. If not paid, the fee shall accumulate from year to year. Fees earned in 2015 and 2014 were \$3,800 and \$3,690, respectively. \$3,800 is included in accounts payable – related parties at December 31, 2015.

The general partner has advanced the Partnership \$28,800 and \$25,000 at December 31, 2015 and 2014, respectively, to cover property tax bills. This amount is included in accounts payable - related parties.

**RIDGECREST LIMITED, LP**

The following represent related party transactions on behalf of Ridgcrest Limited, LP:

The special limited partner, House Investments Credit Associates, LLC, is entitled to an annual administrative service fee of \$2,500, payable from available cash flow, as defined. A total of \$15,000 and \$17,500 are included in accounts payable – related parties at December 31, 2015 and 2014, respectively.

The general partner is entitled to a non-cumulative supervisory and incentive management fee of 70% of net cash flow, as defined. However, the management fee is not to exceed \$50,000. No fees have been accrued for 2015 or 2014.

**JERMAN HOUSING, LP**

The following represent related party transactions on behalf of Jerman Housing, LP:

The general partner is entitled to receive an annual non-cumulative partnership administration fee in the initial amount of \$20,000, increasing at the rate of 3% per year thereafter. The fee is payable out of available cash flow, as defined. No fee was paid in 2015 or 2014.

HSI and Maxwell Properties V, Inc. served as co-developers for the project. As compensation for their services, they are to receive \$377,200, which is payable at various times, as specified in the partnership agreement. The total amount was to be paid by December 31, 2013. All developer fees have been paid. Maxwell Properties V, Inc. contributed the remaining amount as capital in 2013.

Commencing in 2003, the general partner of the limited partnership is entitled to an annual investor services fee of \$3,000 increasing annually by 3%. The fee is payable out of available cash flow, as defined. Any unpaid amounts are accrued. Fees totaled \$4,277 and \$4,153 for 2015 and 2014, respectively. Accrued fees of \$12,462 and \$8,185 are outstanding at December 31, 2015 and 2014, respectively, and are included in accounts payable – related parties.

**HUMAN SERVICES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 4 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)**

**JERMAN HOUSING, LP – (continued)**

Maxwell Properties V, Inc. acts as the property manager. They are to receive a monthly property management fee of 6% of actual rents collected for the preceding month. Fees totaling \$9,901 and \$9,624 were earned in 2015 and 2014, respectively. A payable to the property manager totaled \$48,703 and \$38,802 at December 31, 2015 and 2014, respectively, and is included in accounts payable – related parties.

**NOTE 5 – PENSION PLAN**

The Organization has a 403(b) Plan (the “Plan”) in which employees may participate upon their employment. Participants may contribute up to 20% of their pretax annual compensation to the Plan and the Organization may make discretionary contributions to the Plan on behalf of the employees. The participant is 100% vested immediately for any discretionary contributions and participant contributions. The Organization made no discretionary contributions to the Plan during the years ended December 31, 2015 and 2014.

**NOTE 6 – LONG-TERM DEBT**

Long-term debt of the Organization consists of the following as of December 31,

	<u>2015</u>	<u>2014</u>
Note payable - 1% note payable to the Federal Home Loan Bank Affordable Housing Program (AHP dated) May 7, 1999, payable at maturity in May 2017.	\$ 235,732	\$ 235,732
Note payable - 1% note payable to Irwin Union Bank Home Investment Partnership Program (HOME) dated September 1, 1997, payable at maturity in September 2017.	490,132	490,132
Note payable - 5.5% note payable to Irwin Union Bank, payable in monthly installments of \$2,676 with interest for 59 months and a final balloon payment due at maturity in October 2013. The note was refinanced on January 30, 2014 with 120 monthly payments of \$2,563 beginning March 1, 2014. Interest is based on the United States Treasury Rate plus 2.86% with a floor of 4.25%. The note matures February 1, 2024.	206,962	227,612

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 – LONG-TERM DEBT – (continued)**

Note payable - 1% note payable to the Federal Home Loan Bank AHP Program dated February 11, 2000, annual interest payments from the available cash flow of the affiliated housing project.	300,000	300,000
Note payable - 5.79% note payable to the Indiana Housing Finance Authority HOME Program dated June 22, 1999, payments of principal and interest from the available cash flow of the affiliated housing project.	208,500	208,500
Note payable - 4.17% note payable to the Indiana Housing Finance Authority AHP Program dated July 20, 2003, payments of principal and interest from the available cash flow of the affiliated housing project.	360,000	360,000
Note payable - 4.65% note payable to the Federal Home Loan Bank AHP Program dated July 30, 2003, payments of principal and interest from the available cash flow of the affiliated housing project.	300,000	300,000
Note payable - 1% note payable to the Federal Home Loan Bank AHP Program dated December 1, 2005, annual interest payments from the available cash flow of the affiliated housing project.	500,000	500,000
Note payable - 5% note payable to Indiana Housing and Community Development Authority Home Investment Partnership Program (HOME) dated December 1, 2005, payments of principal and interest from the available cash flow of the affiliated housing project.	500,000	500,000
Note payable - Indiana Housing and Community Development Authority made available \$57,500 for use in their Business Enterprise and Economic Development Program. The funds are to be loaned out to local businesses. Should the program become discontinued, the funds will need to be repaid or approval from IHCDA must be obtained to use funds for other uses.	57,500	57,500

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 6 – LONG-TERM DEBT – (continued)**

The future maturities of long-term debt are as follows for the years ended December 31,

2016	\$ 21,944
2017	748,759
2018	23,887
2019	24,922
2020	26,002
Thereafter	<u>2,333,962</u>
	<u>\$ 3,179,476</u>

**OAK HILL APARTMENTS, LP**

Long-term debt for Oak Hill Apartments, LP consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable - Union Bank provided the Partnership with \$617,835 in December 1998. Interest on this loan is payable at the rate of 7.25% per annum for the first 7 years; thereafter is based on United States Treasury Securities plus 2.25 percentage points. Monthly payments of \$4,466 including interest are to be made. The note was due December 11, 2013 and was refinanced on January 30, 2014. Interest on this loan is payable at the rate of 2.860 points over the published "Treasury Rate" with a floor of 4.25% and with limits on annual increases. Monthly payments of \$3,963 are to be made beginning March 1, 2014. The loan is collateralized 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.	\$ 322,813	\$ 354,611
Note payable - Human Services, Inc. has provided \$235,732 of funds to the Partnership under the Affordable Housing Program (AHP). Terms of the note require interest to be accrued at the rate of 1% compounded annually. Collateral on the note includes the Partnership's real estate and land improvements. The note is due May 7, 2017.	235,732	235,732
Note payable - Human Services has provided \$490,132 of funds to the Partnership under the Home Investment Partnership Program (HOME). The mortgage promissory note requires interest to be accrued at the rate of 1% compounded annually. The note is due September 1, 2017. The note is collateralized by a mortgage lien and security interest on the property and is subordinate to the mortgage in favor of Union Bank.	490,132	490,132

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 6 – LONG-TERM DEBT – (continued)**

**OAK HILL APARTMENTS II, LP**

The future maturities of long-term debt are as follows for the years ended December 31,

2016	\$	33,514
2017		760,942
2018		36,715
2019		38,429
2020		38,429
Thereafter		140,648
		\$ 1,048,677

Long-term debt for Oak Hill Apartments II, LP consists of the following:

	<u>2015</u>	<u>2014</u>
<p>Note payable - Human Services, Inc. provided \$464,000 to the Partnership through the Indiana Housing Finance Authority (IHFA). The mortgage promissory note accrued interest at the rate of 2.35% per annum and was payable in semi-annual installments in the amount of \$15,209. The note was due June 30, 2008 and was refinanced with Irwin Union Bank. The new mortgage note in the original amount of \$325,000 bears interest at the rate of 5.5% per annum. The note was due October 15, 2013 and was refinanced on January 30, 2014. Interest on this loan is payable at the rate of 2.860 points over the published "Treasury Rate" with a floor of 4.25% and with limits on annual increases. Monthly payments of \$2,563 are to be made beginning March 1, 2014. The loan is collateralized 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.</p>	\$ 206,962	\$ 227,612
<p>Note payable - Human Services, Inc. has provided \$300,000 to the Partnership under the Affordable Housing Program through the Federal Home Loan Bank (FHLB). Terms of the note require interest to be paid at the rate of 1% per annum each December 31, to the extent there is available cash flow. The note is collateralized by certain real estate and improvements. The note is due February 11, 2020.</p>	300,000	300,000

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 6 – LONG-TERM DEBT – (continued)**

**OAK HILL APARTMENTS II, LP – (continued)**

Note payable - HIS Properties, Inc. has advanced the Partnership loans totaling \$20,489. The loans bear interest at 6% per annum and are to be repaid subject to available cash flow.

20,489                      20,489

The future maturities of long-term debt are as follows for the years ended December 31,

2016	\$ 21,639
2017	22,649
2018	23,706
2019	24,812
2020	325,970
Thereafter	108,675
	\$ 527,451

**PEARSON PLACE, LP**

Long-term debt for Pearson Place, LP consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable - Promissory note payable to First Financial Bank (formerly Irwin Union Bank) in the original amount of \$600,000. Monthly principal and interest payments of \$4,115 with interest at 7.2%. Matures December 7, 2022. Secured by a mortgage on certain real estate.	\$ 539,926	\$ 549,508
Note payable - Promissory note payable to Human Services, Inc. consisting of pass-through of \$500,000 of Affordable Housing Program funds. Interest rate of 5%, payable from available cash flows. Matures December 31, 2035. Secured by second mortgage on certain real estate.	500,000	500,000
Note payable - Promissory note payable to Human Services, Inc. consisting of pass-through of \$500,000 of HOME Investment Partnership Program funds. Interest rate of 5% payable from available cash flows. Matures December 31, 2035. Secured by a third mortgage on certain real estate.	500,000	500,000

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 6 – LONG-TERM DEBT – (continued)**

**PEARSON PLACE, LP – (continued)**

Note payable - Promissory note payable to Enterprise Housing Partners XVII Limited Partnership (Enterprise) in the original amount of \$62,704. Payable in full on June 30, 2014. Maturity date extended to June 30, 2019. Secured by a guaranty made by Leo Stenz.	62,794	62,794
Note payable - Promissory note payable to Enterprise in the original amount of \$49,206. Payable in full June 20, 2012. Maturity date extended to June 30, 2017. Secured by a guaranty made by Leo Stenz.	49,206	49,206
Note payable - Promissory note payable to Enterprise in the original amount of \$100,000. Monthly principal and interest payments of \$679 with interest at 7.2%. Matures December 31, 2021. The note is unsecured.	92,378	98,823

The future maturities of long-term debt are as follows for the years ended December 31,

2016	\$ 12,779
2017	62,956
2018	14,773
2019	78,667
2020	17,036
Thereafter	<u>1,558,093</u>
	<u>\$ 1,744,304</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 – LONG-TERM DEBT – (continued)**

**RIDGECREST LIMITED, LP**

Long-term debt for Ridgcrest Limited, LP consists of the following:

	<u>2015</u>	<u>2014</u>
<p>Note payable - Mortgage note payable to Old National Bank, in the original amount of \$425,000 is collateralized by a mortgage on real estate and an assignment of rents and leases. The note bears interest at the rate of 8% per annum with monthly payments of principal and interest totaling \$3,280. The note matures on October 15, 2015. The mortgage was sold to Bayview Loan Servicing by Old National during 2006. All terms and conditions of the mortgage remain the same. In October 2015, The Partnership entered into a loan adjustment agreement with Bayview Loan Servicing. The note bears interest at the rate of 6% per annum with monthly payments of principal and interest totaling \$1,956. The note matures on February 1, 2037.</p>	\$ 278,135	\$ 287,390
<p>Note payable - Human Services, Inc. has received a \$208,500 HOME grant and has, in turn, loaned that amount to the Partnership. The underlying promissory note bears interest at the rate of 5.79% per annum with payments of principal and interest being made from available cash flow, as defined. The note is collateralized by a subordinate mortgage on real estate. Any unpaid principal and interest is due June 22, 2019.</p>	208,500	208,500

The future maturities of long-term debt are as follows for the years ended December 31,

2016	\$ 6,746
2017	7,162
2018	7,604
2019	216,573
2020	8,571
Thereafter	239,979
	\$ 486,635

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
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**NOTE 6 – LONG-TERM DEBT – (continued)**

**JERMAN HOUSING, LP**

Long-term debt for Jerman Housing, LP consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable - Main Source Bank has provided the Partnership with permanent financing in the amount of \$360,000. The underlying not is collateralized by a mortgage on the real estate, which was modified in December 2011, and now calls for monthly payments of \$2,191, including interest at the rate of 5.875% per annum. The note matures on November 14, 2023.	\$ 305,002	\$ 313,114
Note payable - Human Services, Inc. has made \$360,000 of Affordable Housing Program funds available to the Partnership. The loan is collateralized by a subordinate note bearing interest at the rate of 4.65% per annum. The principal and accrued interest rate are due December 31, 2033.	360,000	360,000
Note payable - Human Services, Inc. has made \$300,000 of Home Investments Partnership Program funds available to the Partnership. The loan is collateralized by a subordinate note bearing interest at the rate of 4.17 per annum. The principal and accrued interest are due December 31, 2033.	300,000	300,000

The future maturities of long-term debt are as follows for the years ended December 31,

2016	\$	8,613
2017		9,134
2018		9,685
2019		10,270
2020		10,889
Thereafter		916,411
		965,002
		\$ 965,002

**NOTE 7 – OPERATING LEASES**

The Organization leases various facilities and equipment for operation of its programs. Rental expense included in the Consolidated Statements of Activities for the year ended December 31, 2015 and 2014 was approximately \$272,352 and \$330,037, respectively.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 – OPERATING LEASES (continued)**

Future minimum lease payments for the these leases are as follows for the years ended December 31,

2016	\$ 78,291
2017	75,845
2018	49,694
2019	21,888
2020	14,998
Thereafter	<u>97,610</u>
	<u>\$ 338,326</u>

None of the Subsidiaries held leases during the years ended December 31, 2015 and 2014.

**NOTE 8 – LONG-LIVED ASSETS**

Long-lived assets and certain identifiable intangibles held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Organization holds shares in Wells Fargo & Company stock. These investments are considered level 1 and are traded in active exchange markets, such as the New York Stock Exchange.

The Subsidiary holds investment interests in various real estate projects. These investments are considered level 3 and are based upon the ongoing performance of the real estate ventures.

**NOTE 10 – CONCENTRATION OF RISK**

The Organization maintains its cash balances at a commercial bank. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2015 and 2014. The balance in excess of FDIC coverage is collaterally secured by the bank with Treasury Bills. At December 31, 2015 and 2014 bank balances in excess of FDIC coverage were \$0 and \$99,588, respectively.

**NOTE 11 – INTANGIBLE ASSETS**

Capitalized costs and the related amortization for Oak Hill Apartments, LP at December 31, 2015 and 2014, consist of the following:

		<i>2015</i>		<i>2014</i>	
		<i>Basis</i>	<i>Accumulated Amortization</i>	<i>Basis</i>	<i>Accumulated Amortization</i>
Permanent Fees	Loan	\$4,072	\$814	\$4,072	\$407

The permanent loan fees are amortized over the life of the permanent mortgage.

Capitalized costs and the related amortization for Oak Hill Apartments II, LP at December 31, 2015 and 2014, consist of the following:

		<i>2015</i>		<i>2014</i>	
		<i>Basis</i>	<i>Accumulated Amortization</i>	<i>Basis</i>	<i>Accumulated Amortization</i>
Permanent Loan Fees		\$4,093	\$818	\$4,093	\$409

The permanent loan fees are amortized over the life of the permanent loan.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 11 – INTANGIBLE ASSETS – (continued)**

Capitalized costs and the related amortization for Pearson Place, LP at December 31, 2015 and 2014, consist of the following:

	2015		2014	
	<i>Basis</i>	<i>Accumulated Amortization</i>	<i>Basis</i>	<i>Accumulated Amortization</i>
Permanent Loan Fees	\$6,000	\$3,200	\$6,000	\$2,800

Permanent financing costs are amortized over the life of the permanent loan.

Capitalized costs and the related amortization for Ridgecrest Limited, LP at December 31, 2015 and 2014, consist of the following:

	2015		2014	
	<i>Basis</i>	<i>Accumulated Amortization</i>	<i>Basis</i>	<i>Accumulated Amortization</i>
Permanent Loan Fees	\$8,562	\$8,562	\$8,562	\$8,113

Permanent loan fees are amortized over the life of the permanent mortgage.

Capitalized costs and the related amortization for Jerman Housing, LP at December 31, 2015 and 2014, consist of the following:

	2015		2014	
	<i>Basis</i>	<i>Accumulated Amortization</i>	<i>Basis</i>	<i>Accumulated Amortization</i>
Permanent Loan Fees	\$18,401	\$10,609	\$18,401	\$9,296

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 – SUBSIDIARY EXPENSES**

The natural expenses incurred by the Subsidiaries: Oak Hill Apartments, LP, Oak Hill Apartments II, LP, Pearson Place, LP, Ridgecrest Limited, LP, and Jerman Housing, LP for the year-ended December 31, 2015 and 2014 are as follows:

<b>2015</b>	Oak Hill Apartments, <u>LP</u>	Oak Hill Apartments II, <u>LP</u>	Pearson Place, <u>LP</u>	Ridgecrest Limited <u>LP</u>
<b>EXPENSES</b>				
Administrative	\$ 41,240	\$ 24,101	\$ 48,274	\$ 26,907
Utilities	22,344	11,400	27,646	3,986
Operating and maintenance	79,122	30,941	60,617	22,393
Taxes and insurance	34,364	17,432	30,176	14,681
Administrative service fee	2,000	1,000	3,800	2,500
Interest	24,272	15,908	96,435	34,731
Depreciation	77,828	53,235	128,538	32,365
Amortization	407	409	400	449
Total Expenses	<u>\$ 281,577</u>	<u>\$ 154,426</u>	<u>\$ 395,886</u>	<u>\$ 138,012</u>
	Jerman <u>Housing, LP</u>	HSI <u>Properties, Inc.</u>	HSI <u>Solutions</u>	<u>Total</u>
Administrative	\$ 41,918	\$ 13,995	\$ -	\$ 196,435
Utilities	21,760	-	-	87,136
Operating and maintenance	46,897	-	-	239,970
Taxes and insurance	20,204	-	-	116,857
Administrative service fee	4,277	-	-	13,577
Interest	47,427	-	-	218,773
Depreciation	108,129	-	-	400,095
Amortization	1,313	-	-	2,978
Total Expenses	<u>\$ 291,925</u>	<u>\$ 13,995</u>	<u>\$ -</u>	<u>\$ 1,275,821</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 – SUBSIDIARY EXPENSES – (continued)**

<b>2014</b>	Oak Hill Apartments, <u>LP</u>	Oak Hill Apartments II, <u>LP</u>	Pearson Place, <u>LP</u>	Ridgecrest <u>Limited LP</u>
<b>EXPENSES</b>				
Administrative	\$ 39,920	\$ 23,442	\$ 37,991	\$ 26,474
Utilities	23,293	13,117	31,290	6,199
Operating and maintenance	68,972	24,052	40,386	30,622
Taxes and insurance	34,664	16,924	34,267	15,679
Administrative service fee	2,000	1,000	3,690	2,500
Interest	25,932	16,872	97,204	36,451
Depreciation	77,828	68,682	128,538	33,904
Amortization	407	409	400	571
Total Expenses	<u>\$ 273,016</u>	<u>\$ 164,498</u>	<u>\$ 373,766</u>	<u>\$ 152,400</u>
	<u>Jerman Housing, LP</u>	<u>HSI Properties, Inc.</u>	<u>HSI Solutions</u>	<u>Total</u>
Administrative	\$ 45,761	\$ 10,470	\$ 83	\$ 184,141
Utilities	21,712	-	-	95,611
Operating and maintenance	45,312	-	-	209,344
Taxes and insurance	24,482	-	-	126,016
Administrative service fee	4,153	-	-	13,343
Interest	47,890	-	-	224,349
Depreciation	108,129	-	-	417,081
Amortization	1,313	-	-	3,100
Total Expenses	<u>\$ 298,752</u>	<u>\$ 10,470</u>	<u>\$ 83</u>	<u>\$ 1,272,985</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets include contributions that have been restricted by donors for specific programs.

**NOTE 14 – NON-CONTROLLING INTEREST IN SUBSIDIARIES**

As described in Note 1, the Organization is has invested in various partnerships in which it holds controlling interest and therefore presents the financial statement of these partnerships consolidated with the financial statements of the Organization. The changes in the controlling and non-controlling interest in the net assets of the Organization are as follows:

	Controlling <u>Interest</u>	Non-controlling <u>Interest</u>	<u>Total</u>
Balance January 1, 2014	\$ 2,024,385	\$ 4,144,438	\$ 6,168,823
Net change in net assets	<u>(120,525)</u>	<u>(442,629)</u>	<u>(563,154)</u>
Balance December 31, 2014	1,903,860	3,701,809	5,605,669
Net change in net assets	<u>(84,092)</u>	<u>(415,578)</u>	<u>(499,670)</u>
Balance December 31, 2015	<u>\$ 1,819,768</u>	<u>\$ 3,286,231</u>	<u>\$ 5,105,999</u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

For the year ended December 31, 2013 the Organization failed to record certain notes receivable provided to clients under a state program resulting in an understatement of assets and net asset at December 2013 of \$43,720. Additionally, the Organization did not recognized or present, in the consolidating financial statements, investments in subsidiaries and the related eliminations in the following amounts:

Human Services, Inc. (parent)	\$ 370,179
HSI Properties, Inc.	<u>101,978</u>
	<u>\$ 472,157</u>

Additionally, in the year ended December 31, 2013, the Organization failed to provide the required disclosures for non-controlling interest in consolidated subsidiaries as required by under generally accepted accounting principles (FASB codification 958-810-50-4). Specifically, beginning non-controlling interest in the net assets of consolidated subsidiaries were not disclosed resulting in an understatement of the net assets of the parent and various subsidiaries at the beginning of year by the following amounts:

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 15 – PRIOR PERIOD ADJUSTMENT – (continued)**

Oak Hill Apartments, L.P.	\$ (1,069)
Oak Hill Apartments II, L.P.	171,837
Pearson Place, L.P.	1,911,595
Ridgecrest Limited, L.P.	157,866
Jerman Housing, LLC	447,023
Jerman Housing, L.P.	<u>1,680,701</u>
Total	<u><u>\$ 4,367,953</u></u>

After eliminations of \$919,180 the total effect of prior period adjustments on the consolidated net assets was an increase of \$3,964,650.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

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

Our report on our audit of the consolidated financial statements of Human Services, Inc. and Subsidiaries as of December 31, 2015, and for the year then ended appears on page one. That audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information (shown on pages 43 through 58) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the statements of financial position and results of activities of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements. In our opinion, which insofar as it relates to Oak Hill Apartments, LP, Oak Hill Apartments II, LP, Pearson Place, LP, Ridgecrest Limited, LP, Jerman Housing, LLC, or Jerman Housing, LP, is based on the report of other auditors, such information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.  
August 29, 2016

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

	<u>Human Services, Inc.</u>			<u>Oak Hill Apartments, LP</u>	<u>Oak Hill Apartments II, LP</u>
	<u>Parent</u>	<u>HSI Properties</u>	<u>HSI Solutions</u>		
<b>CURRENT ASSETS</b>					
Cash	\$ 127,578	\$ 76,855	\$ 2,446	\$ 4,518	\$ 5,851
Security deposits	-	-	-	14,630	7,700
Mortgage escrow	-	-	-	74,732	16,920
Investments	2,609	-	-	-	-
Accounts receivable - tenant	-	-	-	9,390	3,091
Accounts receivable - HSI	-	-	-	28,210	-
Grants receivable	594,302	-	-	-	-
Notes receivable - current portion	21,944	45,389	-	-	-
Operating reserve	-	-	-	43,559	4,492
Replacement reserve	-	-	-	103,799	48,122
Prepaid expenses	23,084	-	-	-	4,250
Total current assets	<u>769,517</u>	<u>122,244</u>	<u>2,446</u>	<u>278,838</u>	<u>90,426</u>
<b>PROPERTY AND EQUIPMENT</b>					
Buildings and building improvements	1,657,837	-	-	2,140,230	1,137,358
Site costs	-	-	-	287,398	409,848
Personal property	-	-	-	103,249	44,144
Equipment	1,241,299	-	-	-	-
Land and land improvements	125,000	-	-	103,449	91,088
	3,024,136	-	-	2,634,326	1,682,438
Less accumulated depreciation	<u>(1,680,722)</u>	<u>-</u>	<u>-</u>	<u>(1,772,064)</u>	<u>(1,053,480)</u>
Total property and equipment, net	<u>1,343,414</u>	<u>-</u>	<u>-</u>	<u>862,262</u>	<u>628,958</u>
<b>OTHER ASSETS</b>					
Intangible assets, net	-	-	-	3,258	3,275
Investments - subsidiaries	408,201	286,442	-	-	-
Notes receivable - net of current portion	3,106,804	-	-	-	-
Total other assets	<u>3,515,005</u>	<u>286,442</u>	<u>-</u>	<u>3,258</u>	<u>3,275</u>
Total assets	<u>\$ 5,627,936</u>	<u>\$ 408,686</u>	<u>\$ 2,446</u>	<u>\$ 1,144,358</u>	<u>\$ 722,659</u>

See independent auditor's report on supplementary information.

	<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerman Housing, LLC</u>	<u>Jerman Housing, LP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$	5,650	\$ 5,437	\$ -	\$ 30,756	\$ -	\$ 259,091
	9,848	7,795	-	11,163	-	51,136
	1,562	17,166	-	-	-	110,380
	-	-	-	-	-	2,609
	2,049	-	-	-	-	14,530
	-	-	-	-	(28,210)	-
	-	-	-	-	-	594,302
	-	-	-	-	(67,333)	-
	30	4,229	-	63,292	-	115,602
	42,917	47,222	-	31,394	-	273,454
	2,245	4,891	-	-	-	34,470
	<u>64,301</u>	<u>86,740</u>	<u>-</u>	<u>136,605</u>	<u>(95,543)</u>	<u>1,455,574</u>
	4,911,560	1,242,247	-	4,036,166	-	15,125,398
	86,235	30,780	-	-	-	814,261
	-	-	-	124,067	-	271,460
	66,369	41,811	-	-	-	1,349,479
	6,000	45,000	-	128,350	-	498,887
	<u>5,070,164</u>	<u>1,359,838</u>	<u>-</u>	<u>4,288,583</u>	<u>-</u>	<u>18,059,485</u>
	<u>(1,223,151)</u>	<u>(573,440)</u>	<u>-</u>	<u>(1,420,122)</u>	<u>-</u>	<u>(7,722,979)</u>
	<u>3,847,013</u>	<u>786,398</u>	<u>-</u>	<u>2,868,461</u>	<u>-</u>	<u>10,336,506</u>
	2,800	-	-	7,792	-	17,125
	-	-	446,996	-	(1,141,639)	-
	-	-	-	-	(3,106,804)	-
	<u>2,800</u>	<u>-</u>	<u>446,996</u>	<u>7,792</u>	<u>(4,248,443)</u>	<u>17,125</u>
\$	<u>3,914,114</u>	<u>\$ 873,138</u>	<u>\$ 446,996</u>	<u>\$ 3,012,858</u>	<u>\$ (4,343,986)</u>	<u>\$ 11,809,205</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 – (CONTINUED)**

	<u>Human Services, Inc.</u>			<u>Oak Hill Apartments, LP</u>	<u>Oak Hill Apartments II, LP</u>
	<u>Parent</u>	<u>HSI Properties</u>	<u>HSI Solutions</u>		
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 316,612	\$ -	\$ -	\$ 5,270	\$ 1,924
Accounts payable - related parties	-	-	-	8,000	5,000
Developer fees payable	-	-	-	-	-
Accrued payroll taxes and withholdings	54,383	-	-	-	-
Accrued interest payable	-	-	-	147,574	66,239
Accrued real estate taxes	-	-	-	16,500	8,100
Advances payable	16,238	2,931	-	-	-
Security deposits	-	-	-	14,630	7,700
Prepaid rent	-	-	-	953	591
Current portion of long-term liabilities	21,944	-	-	33,514	21,639
Total current liabilities	<u>409,177</u>	<u>2,931</u>	<u>-</u>	<u>226,441</u>	<u>111,193</u>
<b>LONG-TERM LIABILITIES</b>					
Term loans	3,136,882	-	-	1,015,163	505,812
Total liabilities	<u>3,546,059</u>	<u>2,931</u>	<u>-</u>	<u>1,241,604</u>	<u>617,005</u>
<b>NET ASSETS</b>					
Non-controlling interest in net assets					
Unrestricted	-	-	-	(96,813)	105,518
Controlling interest in net assets					
Unrestricted	2,002,798	405,755	2,446	(433)	136
Temporarily restricted	79,079	-	-	-	-
Total net assets	<u>2,081,877</u>	<u>405,755</u>	<u>2,446</u>	<u>(97,246)</u>	<u>105,654</u>
Total liabilities and net assets	<u>\$ 5,627,936</u>	<u>\$ 408,686</u>	<u>\$ 2,446</u>	<u>\$ 1,144,358</u>	<u>\$ 722,659</u>

See independent auditor's report on supplementary information.

<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerman Housing, LLC</u>	<u>Jerman Housing, LP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 7,241	\$ 839	\$ -	\$ 4,526	\$ (26,655)	\$ 309,757
28,800	15,000	-	61,165	(25,000)	92,965
92,000	-	-	-	-	92,000
-	-	-	-	-	54,383
472,223	194,696	-	358,336	-	1,239,068
20,423	9,521	-	7,800	-	62,344
-	-	-	-	-	19,169
9,748	7,795	-	11,163	-	51,036
717	20	-	-	-	2,281
12,779	6,746	-	8,613	(21,944)	83,291
<u>643,931</u>	<u>234,617</u>	<u>-</u>	<u>451,603</u>	<u>(73,599)</u>	<u>2,006,294</u>
<u>1,731,525</u>	<u>479,889</u>	<u>-</u>	<u>956,389</u>	<u>(3,128,748)</u>	<u>4,696,912</u>
<u>2,375,456</u>	<u>714,506</u>	<u>-</u>	<u>1,407,992</u>	<u>(3,202,347)</u>	<u>6,703,206</u>
1,538,823	95,226	223,498	1,419,979	-	3,286,231
(165)	63,406	223,498	184,887	(1,141,639)	1,740,689
-	-	-	-	-	79,079
<u>1,538,658</u>	<u>158,632</u>	<u>446,996</u>	<u>1,604,866</u>	<u>(1,141,639)</u>	<u>5,105,999</u>
<u>\$ 3,914,114</u>	<u>\$ 873,138</u>	<u>\$ 446,996</u>	<u>\$ 3,012,858</u>	<u>\$ (4,343,986)</u>	<u>\$ 11,809,205</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

**ASSETS**

	<u>Human Services, Inc.</u>				
	<u>Parent</u>	<u>HSI Properties</u>	<u>HSI Solutions</u>	<u>Oak Hill Apartments, LP</u>	<u>Oak Hill Apartments II, LP</u>
<b>CURRENT ASSETS</b>					
Cash	\$ 389,659	\$ 59,434	\$ 2,446	\$ 9,021	\$ 5,850
Security Deposits	-	-	-	14,951	8,401
Mortgage escrow	-	-	-	77,882	12,543
Investments	2,631	-	-	-	-
Accounts receivable - tenant	-	-	-	3,398	3,338
Accounts receivable - HSI	-	-	-	28,210	-
Grants receivable	490,688	-	-	-	-
Notes receivable - current portion	21,032	45,389	-	-	-
Operating reserve	-	-	-	43,535	4,490
Replacement reserve	-	-	-	96,562	43,305
Prepaid expenses	55,182	-	-	-	4,250
Total current assets	<u>959,192</u>	<u>104,823</u>	<u>2,446</u>	<u>273,559</u>	<u>82,177</u>
<b>PROPERTY AND EQUIPMENT</b>					
Buildings and building improvements	1,637,960	-	-	2,140,230	1,137,358
Site costs	-	-	-	287,398	409,848
Personal property	-	-	-	103,249	44,144
Equipment	1,322,505	-	-	-	-
Land and land improvements	125,000	-	-	103,449	91,088
	3,085,465	-	-	2,634,326	1,682,438
Less accumulated depreciation	<u>(1,639,051)</u>	<u>-</u>	<u>-</u>	<u>(1,694,236)</u>	<u>(1,000,245)</u>
Total property and equipment, net	<u>1,446,414</u>	<u>-</u>	<u>-</u>	<u>940,090</u>	<u>682,193</u>
<b>OTHER ASSETS</b>					
Intangible assets, net	-	-	-	3,665	3,684
Investments - subsidiaries	390,896	286,558	-	-	-
Notes receivable - net of current portion	3,132,329	-	-	-	-
Total other assets	<u>3,523,225</u>	<u>286,558</u>	<u>-</u>	<u>3,665</u>	<u>3,684</u>
Total assets	<u>\$ 5,928,831</u>	<u>\$ 391,381</u>	<u>\$ 2,446</u>	<u>\$ 1,217,314</u>	<u>\$ 768,054</u>

See independent auditor's report on supplementary information.

<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerman Housing, LLC</u>	<u>Jerman Housing, LP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 566	\$ 494	\$ -	\$ 19,032	\$ -	\$ 486,502
10,589	7,638	-	11,642	-	53,221
6,060	20,107	-	-	-	116,592
-	-	-	-	-	2,631
2,049	-	-	-	-	8,785
-	-	-	-	(28,210)	-
-	-	-	-	-	490,688
-	-	-	-	(66,421)	-
30	4,228	-	63,281	-	115,564
58,330	38,395	-	31,390	-	267,982
6,520	4,891	-	-	-	70,843
<u>84,144</u>	<u>75,753</u>	<u>-</u>	<u>125,345</u>	<u>(94,631)</u>	<u>1,612,808</u>
4,911,560	1,242,247	-	4,036,166	-	15,105,521
86,235	30,780	-	-	-	814,261
-	-	-	124,067	-	271,460
66,369	41,811	-	-	-	1,430,685
6,000	45,000	-	128,350	-	498,887
<u>5,070,164</u>	<u>1,359,838</u>	<u>-</u>	<u>4,288,583</u>	<u>-</u>	<u>18,120,814</u>
<u>(1,094,613)</u>	<u>(541,075)</u>	<u>-</u>	<u>(1,311,993)</u>	<u>-</u>	<u>(7,281,213)</u>
<u>3,975,551</u>	<u>818,763</u>	<u>-</u>	<u>2,976,590</u>	<u>-</u>	<u>10,839,601</u>
3,200	449	-	9,105	-	20,103
-	-	447,009	-	(1,124,463)	-
-	-	-	-	(3,132,329)	-
<u>3,200</u>	<u>449</u>	<u>447,009</u>	<u>9,105</u>	<u>(4,256,792)</u>	<u>20,103</u>
<u>\$ 4,062,895</u>	<u>\$ 894,965</u>	<u>\$ 447,009</u>	<u>\$ 3,111,040</u>	<u>\$ (4,351,423)</u>	<u>\$ 12,472,512</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION – (CONTINUED)**  
**DECEMBER 31, 2014**

	<u>Human Services, Inc.</u>			<u>Oak Hill Apartments, LP</u>	<u>Oak Hill Apartments II, LP</u>
	<u>Parent</u>	<u>HSI Properties</u>	<u>HSI Solutions</u>		
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 322,966	\$ -	\$ -	\$ 3,346	\$ 2,404
Accounts payable - related parties	-	-	-	10,000	8,000
Developer fees payable	-	-	-	-	-
Accrued payroll taxes and withholdings	74,928	-	-	-	-
Accrued interest payable	-	-	-	139,064	60,431
Accrued real estate taxes	-	-	-	16,500	8,100
Advances payable	185,499	2,931	-	-	-
Security deposits	-	-	-	14,950	8,050
Prepaid rent	-	-	-	472	846
Current portion of long-term liabilities	21,032	-	-	32,023	41,166
Total current liabilities	<u>604,425</u>	<u>2,931</u>	<u>-</u>	<u>216,355</u>	<u>128,997</u>
<b>LONG-TERM LIABILITIES</b>					
Term loans	3,158,444	-	-	1,048,452	506,935
Total liabilities	<u>3,762,869</u>	<u>2,931</u>	<u>-</u>	<u>1,264,807</u>	<u>635,932</u>
<b>NET ASSETS</b>					
Non-controlling interest in net assets					
Unrestricted	-	-	-	(47,107)	131,960
Controlling interest in net assets					
Unrestricted	2,078,693	388,450	2,446	(386)	162
Temporarily restricted	87,269	-	-	-	-
Total net assets	<u>2,165,962</u>	<u>388,450</u>	<u>2,446</u>	<u>(47,493)</u>	<u>132,122</u>
Total liabilities and net assets	<u>\$ 5,928,831</u>	<u>\$ 391,381</u>	<u>\$ 2,446</u>	<u>\$ 1,217,314</u>	<u>\$ 768,054</u>

<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerman Housing, LLC</u>	<u>Jerman Housing, LP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 566	\$ 494	\$ -	\$ 19,032	\$ -	\$ 486,502
10,589	7,638	-	11,642	-	53,221
6,060	20,107	-	-	-	116,592
-	-	-	-	-	2,631
2,049	-	-	-	-	8,785
-	-	-	-	(28,210)	-
-	-	-	-	-	490,688
-	-	-	-	(66,421)	-
30	4,228	-	63,281	-	115,564
58,330	38,395	-	31,390	-	267,982
6,520	4,891	-	-	-	70,843
<u>84,144</u>	<u>75,753</u>	<u>-</u>	<u>125,345</u>	<u>(94,631)</u>	<u>1,612,808</u>
4,911,560	1,242,247	-	4,036,166	-	15,105,521
86,235	30,780	-	-	-	814,261
-	-	-	124,067	-	271,460
66,369	41,811	-	-	-	1,430,685
6,000	45,000	-	128,350	-	498,887
<u>5,070,164</u>	<u>1,359,838</u>	<u>-</u>	<u>4,288,583</u>	<u>-</u>	<u>18,120,814</u>
<u>(1,094,613)</u>	<u>(541,075)</u>	<u>-</u>	<u>(1,311,993)</u>	<u>-</u>	<u>(7,281,213)</u>
<u>3,975,551</u>	<u>818,763</u>	<u>-</u>	<u>2,976,590</u>	<u>-</u>	<u>10,839,601</u>
3,200	449	-	9,105	-	20,103
-	-	447,009	-	(1,124,463)	-
-	-	-	-	(3,132,329)	-
<u>3,200</u>	<u>449</u>	<u>447,009</u>	<u>9,105</u>	<u>(4,256,792)</u>	<u>20,103</u>
<u>\$ 4,062,895</u>	<u>\$ 894,965</u>	<u>\$ 447,009</u>	<u>\$ 3,111,040</u>	<u>\$ (4,351,423)</u>	<u>\$ 12,472,512</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Human Services, Inc.					
	Parent		HSI Properties	HSI Solutions	Oak Hill Apartments, LP	Oak Hill Apartments II, LP
	Unrestricted	Temporarily restricted				
<b>REVENUE AND SUPPORT</b>						
Government grants	\$ 11,390,539	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	262,374	183,148	-	-	-	-
Rental income	53,495	-	31,416	-	245,795	130,785
Less: Vacancy loss	-	-	-	-	(16,929)	(3,817)
Rent concessions	-	-	-	-	(1,341)	(998)
Interest income	1,967	-	-	-	99	27
Earnings (loss) from subsidiary	17,305	-	(116)	-	-	-
Laundry and vending income	-	-	-	-	-	-
Miscellaneous tenant charges	-	-	-	-	3,088	1,961
In-kind donations	457,936	-	-	-	-	-
Other income	23,310	-	-	-	1,112	-
Total revenue and support	<u>12,206,926</u>	<u>183,148</u>	<u>31,300</u>	<u>-</u>	<u>231,824</u>	<u>127,958</u>
Net assets released from restrictions	<u>191,338</u>	<u>(191,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted revenues, gains and other support	<u>12,398,264</u>	<u>(8,190)</u>	<u>31,300</u>	<u>-</u>	<u>231,824</u>	<u>127,958</u>
<b>EXPENSES</b>						
CSBG	337,474	-	-	-	-	-
Energy assistance	3,551,958	-	-	-	-	-
Weatherization	623,857	-	-	-	-	-
Head Start	4,089,915	-	-	-	-	-
USDA	214,239	-	-	-	-	-
Section 8	2,500,659	-	-	-	-	-
WIC	318,745	-	-	-	-	-
ESG	257,707	-	-	-	-	-
Other programs	423,626	-	-	-	-	-
Management and general	155,979	-	-	-	-	-
Subsidiaries	-	-	13,995	-	281,577	154,426
Total operating expenses	<u>12,474,159</u>	<u>-</u>	<u>13,995</u>	<u>-</u>	<u>281,577</u>	<u>154,426</u>
Increase (decrease) in net assets	<u>(75,895)</u>	<u>(8,190)</u>	<u>17,305</u>	<u>-</u>	<u>(49,753)</u>	<u>(26,468)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	2,078,693	87,269	388,450	2,446	(47,493)	132,122
Non-controlling interest in subsidiary's earnings	-	-	-	-	(49,703)	(26,442)
Controlling interest in subsidiary's earnings	<u>(75,895)</u>	<u>(8,190)</u>	<u>17,305</u>	<u>-</u>	<u>(50)</u>	<u>(26)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,002,798</u>	<u>\$ 79,079</u>	<u>\$ 405,755</u>	<u>\$ 2,446</u>	<u>\$ (97,246)</u>	<u>\$ 105,654</u>

<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerman Housing, LLC</u>	<u>Jerman Housing, LP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,390,539
-	-	-	-	-	445,522
196,639	116,880	-	168,663	-	943,673
(23,920)	-	-	(3,653)	-	(48,319)
(339)	-	-	-	-	(2,678)
28	26	-	15	-	2,162
-	-	(13)	-	(17,176)	-
2,830	-	-	-	-	2,830
13,204	30	-	-	-	18,283
-	-	-	-	-	457,936
13,615	178	-	2,147	-	40,362
<u>202,057</u>	<u>117,114</u>	<u>(13)</u>	<u>167,172</u>	<u>(17,176)</u>	<u>13,250,310</u>
-	-	-	-	-	-
<u>202,057</u>	<u>117,114</u>	<u>(13)</u>	<u>167,172</u>	<u>(17,176)</u>	<u>13,250,310</u>
-	-	-	-	-	337,474
-	-	-	-	-	3,551,958
-	-	-	-	-	623,857
-	-	-	-	-	4,089,915
-	-	-	-	-	214,239
-	-	-	-	-	2,500,659
-	-	-	-	-	318,745
-	-	-	-	-	257,707
-	-	-	-	-	423,626
-	-	-	-	-	155,979
395,886	138,012	-	291,925	-	1,275,821
<u>395,886</u>	<u>138,012</u>	<u>-</u>	<u>291,925</u>	<u>-</u>	<u>13,749,980</u>
<u>(193,829)</u>	<u>(20,898)</u>	<u>(13)</u>	<u>(124,753)</u>	<u>(17,176)</u>	<u>(499,670)</u>
1,732,487	179,530	447,009	1,729,619	(1,124,463)	5,605,669
(193,810)	(20,877)	(6)	(124,740)	-	(415,578)
(19)	(21)	(7)	(13)	(17,176)	(84,092)
<u>\$ 1,538,658</u>	<u>\$ 158,632</u>	<u>\$ 446,996</u>	<u>\$ 1,604,866</u>	<u>\$ (1,141,639)</u>	<u>\$ 5,105,999</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Human Services, Inc.					
	Parent		HSI Properties	HSI Solutions	Oak Hill Apartments, LP	Oak Hill Apartments II, LP
	Unrestricted	Temporarily Restricted				
<b>REVENUE AND SUPPORT</b>						
Government grants	\$ 10,229,638	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	282,667	149,281	-	-	-	-
Rental income	50,143	-	31,416	-	238,814	130,879
Less: Vacancy loss	-	-	-	-	(16,962)	(7,157)
Rent concessions	-	-	-	-	(180)	(1,095)
Interest income	2,037	-	-	-	131	33
Earnings (loss) from subsidiary	20,717	-	(146)	-	-	-
Laundry and vending income	-	-	-	-	-	-
Miscellaneous tenant charges	-	-	-	-	3,891	1,921
In-kind donations	503,292	-	-	-	-	-
Other income	40,747	-	-	-	1,284	-
Total revenue and support	<u>11,129,241</u>	<u>149,281</u>	<u>31,270</u>	<u>-</u>	<u>226,978</u>	<u>124,581</u>
Net assets released from restrictions	<u>170,749</u>	<u>(170,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted revenue, gains and other support	<u>11,299,990</u>	<u>(21,468)</u>	<u>31,270</u>	<u>-</u>	<u>226,978</u>	<u>124,581</u>
<b>EXPENSES</b>						
CSBG	373,013	-	-	-	-	-
Energy assistance	2,360,096	-	-	-	-	-
Weatherization	566,773	-	-	-	-	-
Head Start	4,174,178	-	-	-	-	-
USDA	225,810	-	-	-	-	-
Section 8	2,348,533	-	-	-	-	-
WIC	287,382	-	-	-	-	-
ESG	332,687	-	-	-	-	-
Other programs	548,407	-	-	-	-	-
Management and general	182,207	-	-	-	-	-
Subsidiaries	-	-	10,470	83	273,016	164,498
Total operating expenses	<u>11,399,086</u>	<u>-</u>	<u>10,470</u>	<u>83</u>	<u>273,016</u>	<u>164,498</u>
Increase (decrease) in net assets	<u>(99,096)</u>	<u>(21,468)</u>	<u>20,800</u>	<u>(83)</u>	<u>(46,038)</u>	<u>(39,917)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,763,890	108,737	265,672	2,529	(386)	202
Non-controlling interest in subsidiary's earning	-	-	-	-	(46,038)	(39,877)
Controlling interest in subsidiary's earnings	(99,096)	(21,468)	20,800	(83)	-	(40)
Prior Period Adjustment	413,899	-	101,978	-	(1,069)	171,837
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,078,693</u>	<u>\$ 87,269</u>	<u>\$ 388,450</u>	<u>\$ 2,446</u>	<u>\$ (47,493)</u>	<u>\$ 132,122</u>

<b>Pearson Place, LP</b>	<b>Ridgecrest Limited, LP</b>	<b>Jerman Housing, LLC</b>	<b>Jerman Housing, LP</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,229,638
-	-	-	-	-	431,948
195,892	116,177	-	169,548	-	932,869
(21,926)	(6,187)	-	(9,143)	-	(61,375)
(3,146)	-	-	-	-	(4,421)
39	35	-	25	-	2,300
-	-	(14)	-	(20,557)	-
3,230	-	-	-	-	3,230
7,082	510	-	-	-	13,404
-	-	-	-	-	503,292
13,615	60	-	2,326	-	58,032
<u>194,786</u>	<u>110,595</u>	<u>(14)</u>	<u>162,756</u>	<u>(20,557)</u>	<u>12,108,917</u>
-	-	-	-	-	-
<u>194,786</u>	<u>110,595</u>	<u>(14)</u>	<u>162,756</u>	<u>(20,557)</u>	<u>12,108,917</u>
-	-	-	-	-	373,013
-	-	-	-	-	2,360,096
-	-	-	-	-	566,773
-	-	-	-	-	4,174,178
-	-	-	-	-	225,810
-	-	-	-	-	2,348,533
-	-	-	-	-	287,382
-	-	-	-	-	332,687
-	-	-	-	-	548,407
-	-	-	-	-	182,207
373,766	152,400	-	298,752	-	1,272,985
<u>373,766</u>	<u>152,400</u>	<u>-</u>	<u>298,752</u>	<u>-</u>	<u>12,672,071</u>
<u>(178,980)</u>	<u>(41,805)</u>	<u>(14)</u>	<u>(135,996)</u>	<u>(20,557)</u>	<u>(563,154)</u>
(128)	63,469	-	184,914	(184,726)	2,204,173
(178,962)	(41,763)	(7)	(135,982)	-	(442,629)
(18)	(42)	(7)	(14)	(20,557)	(120,525)
1,911,595	157,866	447,023	1,680,701	(919,180)	3,964,650
<u>\$ 1,732,487</u>	<u>\$ 179,530</u>	<u>\$ 447,009</u>	<u>\$ 1,729,619</u>	<u>\$ (1,124,463)</u>	<u>\$ 5,605,669</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Human Services, Inc.</u>			<u>Oak Hill Apartments, LP</u>	<u>Oak Hill Apartments II, LP</u>
	<u>Parent</u>	<u>HSI Properties</u>	<u>HSI Solutions</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Increase (decrease) in net assets	\$ (84,085)	\$ 17,305	\$ -	\$ (49,753)	\$ (26,468)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:					
Prior period adjustment	-	-	-	-	-
Depreciation	129,710	-	-	77,828	53,235
Amortization	-	-	-	407	409
Earnings from subsidiary	(17,305)	116	-	-	-
Increase (decrease) in cash from changes in:					
Grants receivable	(103,614)	-	-	-	-
Accounts receivable	-	-	-	(5,992)	247
Mortgage escrow	-	-	-	3,150	(4,377)
Security deposits	-	-	-	321	701
Operating reserve	-	-	-	(24)	(2)
Notes receivable	24,613	-	-	-	-
Prepaid expenses	32,098	-	-	-	-
Accounts payable	(6,354)	-	-	1,924	(480)
Accounts payable - related parties	-	-	-	(2,000)	(3,000)
Accrued interest payable	-	-	-	8,510	5,808
Security deposits payable	-	-	-	(320)	(350)
Accrued real estate taxes	-	-	-	-	-
Accrued salaries and wages	-	-	-	-	-
Accrued taxes	(20,545)	-	-	-	-
Prepaid rent	-	-	-	481	(255)
Advances payable	(169,261)	-	-	-	-
Net cash provided by (used in) operating activities	(214,743)	17,421	-	34,532	25,468
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Deposits to replacement reserves	-	-	-	(7,237)	(4,817)
Withdrawals from replacement reserves	-	-	-	-	-
Investments	22	-	-	-	-
Acquisition of property and equipment, net	(26,710)	-	-	-	-
Net cash provided by (used in) investing activities	(26,688)	-	-	(7,237)	(4,817)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Payment of financing fees	-	-	-	-	-
Repayment of term loans	(20,650)	-	-	(31,798)	(20,650)
Net cash provided by (used in) financing activities	(20,650)	-	-	(31,798)	(20,650)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(262,081)	17,421	-	(4,503)	1
<b>CASH, BEGINNING OF YEAR</b>	389,659	59,434	2,446	9,021	5,850
<b>CASH, END OF YEAR</b>	<u>\$ 127,578</u>	<u>\$ 76,855</u>	<u>\$ 2,446</u>	<u>\$ 4,518</u>	<u>\$ 5,851</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>					
Cash paid for:					
Interest	\$ 1,096	\$ -	\$ -	\$ 15,762	\$ 10,100

<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerma Housing, LLC</u>	<u>Jerma Housing, LP</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
\$ (193,829)	\$ (20,898)	\$ (13)	\$ (124,753)	\$ (17,176)	\$ (499,670)
-	-	-	-	-	-
128,538	32,365	-	108,129	-	529,805
400	449	-	1,313	-	2,978
-	-	13	-	17,176	-
-	-	-	-	-	(103,614)
-	-	-	-	-	(5,745)
4,498	(2,273)	-	-	-	998
741	(157)	-	479	-	2,085
-	-	-	(11)	-	(37)
-	-	-	-	-	24,613
4,275	-	-	-	-	36,373
2,495	(106)	-	(3,566)	-	(6,087)
3,800	(2,500)	-	14,178	-	10,478
49,932	10,997	-	29,250	-	104,497
(839)	158	-	(479)	-	(1,830)
-	-	-	(4,700)	-	(4,700)
-	-	-	-	-	-
-	-	-	-	-	(20,545)
687	(223)	-	-	-	690
-	-	-	-	-	(169,261)
<u>698</u>	<u>17,812</u>	<u>-</u>	<u>19,840</u>	<u>-</u>	<u>(98,972)</u>
15,413	(3,614)	-	(4)	-	(259)
-	-	-	-	-	-
-	-	-	-	-	22
-	-	-	-	-	(26,710)
<u>15,413</u>	<u>(3,614)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(26,947)</u>
-	-	-	-	-	-
(11,027)	(9,255)	-	(8,112)	-	(101,492)
<u>(11,027)</u>	<u>(9,255)</u>	<u>-</u>	<u>(8,112)</u>	<u>-</u>	<u>(101,492)</u>
5,084	4,943	-	11,724	-	(227,411)
566	494	-	19,032	-	486,502
<u>\$ 5,650</u>	<u>\$ 5,437</u>	<u>\$ -</u>	<u>\$ 30,756</u>	<u>\$ -</u>	<u>\$ 259,091</u>
<u>\$ 46,503</u>	<u>\$ 23,234</u>	<u>\$ -</u>	<u>\$ 18,177</u>	<u>\$ -</u>	<u>\$ 114,872</u>

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Human Services, Inc.</u>			<u>Oak Hill Apartments, LP</u>	<u>Oak Hill Apartments II, LP</u>
	<u>Parent</u>	<u>HSI Properties</u>	<u>HSI Solutions</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Increase (decrease) in net assets	\$ (120,564)	\$ 20,800	\$ (83)	\$ (46,038)	\$ (39,917)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:					
Prior period adjustment	413,899	-	-	-	-
Depreciation	168,529	-	-	77,828	68,682
Amortization	-	-	-	407	409
Earnings from subsidiaries	(20,717)	146	-	-	-
Increase (decrease) in cash from changes in:					
Grants receivable	(33,769)	-	-	-	-
Accounts receivable	-	-	-	(1,533)	(247)
Accounts receivable - related parties	-	-	-	1,133	-
Mortgage escrow	-	-	-	(16,471)	(4,947)
Security deposits	-	-	-	(625)	(101)
Operating reserve	-	-	-	(33)	(2)
Notes receivable	(7,906)	-	-	-	-
Other assets	2,179	-	-	-	-
Prepaid expenses	(16,086)	-	-	-	-
Accounts payable	186,286	-	-	(1,856)	372
Accounts payable - related parties	-	-	-	(4,000)	(2,133)
Accrued interest payable	-	-	-	9,945	5,046
Security deposits payable	-	-	-	975	(250)
Accrued real estate taxes	-	-	-	-	-
Accrued salaries and wages	(163,910)	-	-	-	-
Accrued taxes	74,928	-	-	-	-
Prepaid rent	-	-	-	(580)	345
Advances payable	185,499	-	-	-	-
Net cash provided by (used in) operating activities	<u>668,368</u>	<u>20,946</u>	<u>(83)</u>	<u>19,152</u>	<u>27,257</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Deposits to replacement reserves	-	-	-	(7,246)	(4,820)
Investments	(372,810)	-	-	-	-
Acquisition of property and equipment, net	59,128	-	-	-	-
Net cash provided by (used in) investing activities	<u>(313,682)</u>	<u>-</u>	<u>-</u>	<u>(7,246)</u>	<u>(4,820)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payment of financing fees	-	-	-	(4,072)	(4,093)
Proceeds from borrowing	-	-	-	3,384	3,178
Repayment of term loans	(25,604)	-	-	(25,363)	(18,064)
Net cash provided by (used in) financing activities	<u>(25,604)</u>	<u>-</u>	<u>-</u>	<u>(26,051)</u>	<u>(18,979)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	329,082	20,946	(83)	(14,145)	3,458
<b>CASH, BEGINNING OF YEAR</b>	60,577	38,488	2,529	23,166	2,392
<b>CASH, END OF YEAR</b>	<u>\$ 389,659</u>	<u>\$ 59,434</u>	<u>\$ 2,446</u>	<u>\$ 9,021</u>	<u>\$ 5,850</u>
<b>SUPPLEMENTAL DISCLOSURES</b>					
Cash paid for:					
Interest	<u>\$ 1,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,932</u>	<u>\$ 16,872</u>

<u>Pearson Place, LP</u>	<u>Ridgecrest Limited, LP</u>	<u>Jerma n Housing, LLC</u>	<u>Jerma n Housing, LP</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
\$ (178,980)	\$ (41,805)	\$ (14)	\$ (135,996)	\$ (20,557)	\$ (563,154)
-	-	-	-	-	-
-	-	-	-	-	413,899
128,538	33,904	-	108,129	-	585,610
400	571	-	1,313	-	3,100
-	-	14	-	20,557	-
-	-	-	-	-	(33,769)
-	-	-	289	-	(1,491)
-	-	-	-	-	1,133
12,392	10,597	-	-	-	1,571
(791)	(127)	-	(266)	-	(1,910)
-	(2)	-	(19)	-	(56)
-	-	-	-	-	(7,906)
-	-	-	-	-	2,179
-	-	-	-	-	(16,086)
(2,510)	(2,154)	-	1,802	-	181,940
-	(7,500)	-	13,777	-	144
53,970	12,072	-	29,250	-	110,283
789	126	-	266	-	1,906
5,027	1,321	-	-	-	6,348
-	-	-	-	-	(163,910)
-	-	-	-	-	74,928
30	211	-	-	-	6
-	-	-	-	-	185,499
<u>18,865</u>	<u>7,214</u>	<u>-</u>	<u>18,545</u>	<u>-</u>	<u>780,264</u>
(12,972)	(3,619)	-	(6)	-	(28,663)
-	-	-	-	-	(372,810)
-	-	-	-	-	59,128
<u>(12,972)</u>	<u>(3,619)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(342,345)</u>
-	-	-	-	-	(8,165)
-	-	-	-	-	6,562
(9,503)	(14,984)	-	(7,649)	-	(101,167)
<u>(9,503)</u>	<u>(14,984)</u>	<u>-</u>	<u>(7,649)</u>	<u>-</u>	<u>(102,770)</u>
(3,610)	(11,389)	-	10,890	-	335,149
4,176	11,883	-	8,142	-	151,353
<u>\$ 566</u>	<u>\$ 494</u>	<u>\$ -</u>	<u>\$ 19,032</u>	<u>\$ -</u>	<u>\$ 486,502</u>
<u>\$ 97,204</u>	<u>\$ 36,451</u>	<u>\$ -</u>	<u>\$ 47,890</u>	<u>\$ -</u>	<u>\$ 225,445</u>

**SINGLE AUDIT SECTION**

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>FEDERAL GRANTOR AGENCY</b> <b>Pass-through Agency</b> <b>Program Title</b>	<b>Federal</b> <b>CFDA</b> <b>Number</b>	<b>Grant or</b> <b>Identifying</b> <b>Number</b>	<b>Federal</b> <b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed through the Indiana State Department of Education:			
Child and Adult Care Food Program	10.558	01-03-0014	\$ 214,238
Passed through the Indiana State Department of Health:			
Women, Infants & Children	10.557	2IN700002	76,573
Women, Infants & Children	10.557	2IN00012	4,336
Women, Infants & Children	10.557	A70-5-070643	237,609
			<u>318,518</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Indiana Housing and Community Development Authority:			
Emergency Shelter Grants Programs	14.231	ESRRHP-15-006	76,212
Emergency Shelter Grants Programs	14.231	ESRRHP-14-006	119,603
Emergency Shelter Grants Programs	14.231	ES-015-029	49,514
Emergency Shelter Grants Programs	14.231	ES-014-031	12,376
Housing Choice Voucher Program	14.871	none	2,500,656
			<u>2,758,361</u>
<b>U.S. Department of Energy</b>			
Passed through the Indiana Housing and Community Development Authority:			
Weatherization Assistance for Low-Income Persons	81.042	WX-015-013	177,472
Weatherization Assistance for Low-Income Persons	81.042	WX-014-013	47,889
			<u>225,361</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Bartholomew, Decatur, Jackson, Johnson and Shelby counties:			
Emergency Food and Shelter Program	97.024	LRO 262600-008	2,483
Emergency Food and Shelter Program	97.024	LRO 265200-001	3,004
			<u>5,487</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR AGENCY Pass-through Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Direct Program:			
Head Start/Early Head Start Program	93.600	05CH417650	2,523,151
Early Head Start Program	93.600	05CH417650	1,043,400
			<u>3,566,551</u>
Passed through the Indiana Housing and Community Development Authority:			
Low-Income Home Energy Assistance	93.568	LI-016-013	3,327,279
Low-Income Home Energy Assistance	93.568	LI-015-013	216,898
Low-Income Home Energy Assistance	93.568	WL-016-013	25,717
Low-Income Home Energy Assistance	93.568	WL-015-013	267,924
Community Services Block Grant	93.569	CS-015-013	337,472
			<u>4,175,290</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Indiana Finance Housing Authority:			
AHP Loan Funds - Jerman Housing, L.P.	14.239	n/a	360,000
HOME Loan Funds - Jerman Housing, L.P.	14.239	n/a	300,000
AHP Loan Funds - Oak Hill Apartments, L.P.	14.239	n/a	235,732
HOME Loan Funds - Oak Hill Apartments, L.P.	14.239	n/a	490,132
FHLB Loan Funds - Oak Hill Apartments II, L.P.	14.239	n/a	300,000
IHFA Loan Funds - Ridgecrest Limited, L.P.	14.239	n/a	208,500
AHP Loan Funds - Pearson Place, L.P.	14.239	n/a	500,000
HOME Loan Funds - Pearson Place, L.P.	14.239	n/a	500,000
			<u>2,894,364</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 14,158,170</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Client Name and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 – Energy Assistance Payments**

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$3,216,549 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of the Organization during the year ended December 31, 2015.

**HUMAN SERVICES, INC. AND SUBSIDIARIES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section II – Financial Statement Findings**

There were no financial statement findings for the year ended December 31, 2014.

**Section III – Federal Award Findings and Questioned Costs**

**FA-2014-001 – Documentation missing from client files**

**Department of Housing and Urban Development**

**Section 8 Housing Choice Vouchers – CFDA 14.871**

*Condition:* During the audit of Section 8 Housing Choice Vouchers program client files, we noted eighteen (18) out of twenty six (26) were missing required documentation. Below is a summary of documentation missing from files:

<u>Required documentation</u>	<u>Number of files missing</u>
Government photo identification	3
Declaration of citizenship	3
Criminal history check	5
Rent reasonableness certification	3
Executed HAP contract	1
Voucher	2
Request for tenancy approval	2
Executed lease	6
Property owner certification	3
W-9	3
Deed/tax bill	12
Lead based paint disclosure	3
Inspection form	1

*Criteria:* Per the Administrative Plan for the Housing Choice Voucher Program, the documents listed above are required to be present in Section 8 client files.

*Cause:* Continued increases in Section 8 Housing Choice Vouchers activity and turn-over in staff made it difficult for program managers to monitor all Section 8 files.

*Effect:* Complete documentation of work performed and results of work performed was not retained in accordance with State standards.

*Recommendation:* We recommend that training for the Section 8 Housing Choice Vouchers staff be provided that includes the required documentation standards. Additionally, it is recommended that the form checklist be completed for each file and reviewed by a manager to ensure that all forms are accurately completed, signed when necessary, and filed in the appropriate client file.

**HUMAN SERVICES, INC. AND SUBSIDIARIES**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

*Management response:* Of the twenty-five files pulled for review, nine were files that originated with FSSA. When FSSA was responsible for the Housing Choice Voucher program, it is my understanding that FSSA was responsible for gathering most of the paperwork. Some of these files were missing documents and we will not be able to provide this documentation. As suggested by IHCDA for files with paperwork missing which cannot be replaced, the agency has placed a sheet stating it is missing and cannot be replaced in the participant files.

We will implement the use of a form checklist to be completed for each new file. In addition, the agency will review the files of all participants during recertification.

We have been sending our staff to additional training and will continue to keep them updated with training as available.

*Auditor's update:* All documents mentioned above were found in client files during testing for the year ended December 31, 2015.

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

To the Board of Directors  
Human Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Human Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2016.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Human Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Human Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

***Comer, Nowling And Associates, P.C.***

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

August 29, 2016

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

To the Board of Directors  
Human Services, Inc.

***Report on Compliance for Each Major Federal Program***

We have audited Human Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Human Services, Inc.'s major federal programs for the year ended December 31, 2015. Human Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Human Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Human Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Human Services, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Human Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### ***Report on Internal Control over Compliance***

Management of Human Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Human Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Human Services, Inc.'s 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

***Comer, Nowling And Associates, P.C.***

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
August 29, 2016

**HUMAN SERVICES, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes  No
- Significant deficiencies identified? Yes  No

Noncompliance material to financial statements noted? Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes  No
- Significant deficiencies identified? Yes  No

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in  
Accordance with 2CFR section 200.516(a) Yes  No

Program tested as major program:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
14.239	U.S. Dept. of Housing and Urban Development – Home Investment Partnerships Program
14.871	U.S. Dept. of Housing and Urban Development – Section 8 Housing Choice Vouchers
93.568	U.S. Dept. of Health and Human Services – Low-income Home Energy Assistance
93.600	U.S. Dept. of Health and Human Services – Head Start

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes  No

**HUMAN SERVICES, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section II – Financial Statement Findings**

There were no financial statement findings for the year ended December 31, 2015.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings for the year ended December 31, 2015.