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September 18, 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, 2017 to December 31, 2017. 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, 2017 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, CPA
State Examiner

**Human Services Inc.
and Subsidiaries**

**Consolidated Financial
Statements**

**For The Years Ended
December 31, 2017 and 2016
(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, 2017 and 2016, 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, or Ridgecrest Limited, LP, for which statements reflect total assets of \$6,384,676 as of December 31, 2016, and total support and revenues of \$692,955 for the year 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, 2017 and 2016, 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. The accompanying schedule of expenditures of state and local awards is presented for purposes of additional analysis as required by the Indiana State Board of Accounts 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 6, 2018, 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 6, 2018

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|---|--------------|---------------|
| CURRENT ASSETS | | |
| Cash | \$ 425,422 | \$ 267,184 |
| Accounts receivable - tenant | 11,893 | 9,661 |
| Grants receivable | 341,034 | 472,565 |
| Investments | 2,609 | 2,645 |
| Operating reserve | 52,374 | 115,633 |
| Security deposits | 41,628 | 42,195 |
| Mortgage escrow | 111,705 | 132,906 |
| Prepaid expenses | 34,004 | 36,500 |
| | 1,020,669 | 1,079,289 |
| PROPERTY AND EQUIPMENT | | |
| Buildings and building improvements | 11,107,253 | 15,143,419 |
| Site costs | 814,261 | 814,261 |
| Personal property | 147,393 | 271,460 |
| Equipment | 980,732 | 1,289,128 |
| Land and land improvements | 370,537 | 498,887 |
| | 13,420,176 | 18,017,155 |
| Less accumulated depreciation | (6,578,032) | (8,127,176) |
| | 6,842,144 | 9,889,979 |
| OTHER ASSETS | | |
| Replacement reserve | 253,193 | 262,315 |
| Notes receivable - net of current portion | 11,095 | 20,781 |
| | 264,288 | 283,096 |
| Total other assets | 264,288 | 283,096 |
| Total assets | \$ 8,127,101 | \$ 11,252,364 |

See accompanying notes to financial statements.

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – (CONTINUED)
DECEMBER 31, 2017 AND 2016

LIABILITIES AND NET ASSETS

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 232,051 | \$ 288,915 |
| Accounts payable - related parties | 39,917 | 41,214 |
| Developer fees payable | 92,000 | 92,000 |
| Accrued payroll taxes and withholdings | 81,076 | 37,196 |
| Accrued interest payable | 7,436 | 3,769 |
| Accrued real estate taxes | 54,546 | 62,421 |
| Advances payable | 6,370 | 3,633 |
| Security deposits | 41,628 | 53,769 |
| Prepaid rent | 865 | 1,797 |
| Line of credit | - | 50,000 |
| Current portion of long-term liabilities | 809,959 | 29,666 |
| Total current liabilities | 1,365,848 | 664,380 |
| LONG-TERM LIABILITIES | | |
| Term loans | 2,875,668 | 4,683,708 |
| Total liabilities | 4,241,516 | 5,348,088 |
| NET ASSETS | | |
| Non-controlling interest in net assets | | |
| Unrestricted | 1,305,662 | 2,888,113 |
| Controlling interest in net assets | | |
| Unrestricted | 2,503,293 | 2,943,916 |
| Temporarily restricted | 76,630 | 72,247 |
| Total net assets | 3,885,585 | 5,904,276 |
| Total liabilities and net assets | \$ 8,127,101 | \$ 11,252,364 |

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, 2017 AND 2016

| | 2017 | | Consolidated Total |
|---|---------------------|---------------------------|-----------------------|
| | Unrestricted | Temporarily Restricted | |
| REVENUE AND SUPPORT | | | |
| Government grants | \$ 10,012,559 | \$ - | \$ 10,012,559 |
| Contributions | 186,499 | 191,535 | 378,034 |
| Rental income | 815,953 | - | 815,953 |
| Less: Vacancy loss | (35,084) | - | (35,084) |
| Rent concessions | (1,322) | - | (1,322) |
| Interest income | 715 | - | 715 |
| Laundry and vending income | 2,774 | - | 2,774 |
| Miscellaneous tenant charges | 9,947 | - | 9,947 |
| In-kind donations | 360,379 | - | 360,379 |
| Other income | 167,493 | - | 167,493 |
| Total revenue and support | 11,519,913 | 191,535 | 11,711,448 |
| Net assets released from restrictions | 187,152 | (187,152) | - |
| Total unrestricted revenues, gains and other support | 11,707,065 | 4,383 | 11,711,448 |
| EXPENSES | | | |
| CSBG | 331,357 | - | 331,357 |
| Energy assistance | 1,774,533 | - | 1,774,533 |
| Weatherization | 110,670 | - | 110,670 |
| Head Start | 4,149,202 | - | 4,149,202 |
| USDA | 250,766 | - | 250,766 |
| Section 8 | 3,070,956 | - | 3,070,956 |
| WIC | 350,367 | - | 350,367 |
| ESG | 419,708 | - | 419,708 |
| Other programs | 277,669 | - | 277,669 |
| Management and general Subsidiaries | 573,606 940,082 | - - | 573,606 940,082 |
| Total operating expenses | 12,248,916 | - | 12,248,916 |
| Increase (decrease) in net assets | (541,851) | 4,383 | (537,468) |
| NET ASSETS AT BEGINNING OF YEAR | 5,832,029 | 72,247 | 5,904,276 |
| Transfer of interest non-controlling | (1,296,348) | - | (1,296,348) |
| Transfer of interest controlling | (184,875) | - | (184,875) |
| Non-controlling interest in subsidiary's earnings | (286,103) | - | (286,103) |
| Controlling interest in subsidiary's earnings | (255,748) | 4,383 | (251,365) |
| NET ASSETS AT END OF YEAR | <u>\$ 3,808,955</u> | <u>\$ 76,630</u> | <u>\$ 3,885,585</u> |

See accompanying notes to financial statements.

| 2016 | | |
|---------------------|-----------------------------------|-------------------------------|
| Unrestricted | Temporarily Restricted | Consolidated Total |
| \$ 9,919,445 | \$ - | \$ 9,919,445 |
| 250,427 | 191,358 | 441,785 |
| 940,633 | - | 940,633 |
| (28,917) | - | (28,917) |
| (1,849) | - | (1,849) |
| 4,943 | - | 4,943 |
| 3,168 | - | 3,168 |
| 14,170 | - | 14,170 |
| 395,049 | - | 395,049 |
| 56,819 | - | 56,819 |
| 11,553,888 | 191,358 | 11,745,246 |
| 198,190 | (198,190) | - |
| 11,752,078 | (6,832) | 11,745,246 |
| 429,827 | - | 429,827 |
| 2,038,542 | - | 2,038,542 |
| 540,727 | - | 540,727 |
| 3,982,303 | - | 3,982,303 |
| 239,836 | - | 239,836 |
| 2,512,903 | - | 2,512,903 |
| 329,210 | - | 329,210 |
| 267,328 | - | 267,328 |
| 461,371 | - | 461,371 |
| 177,083 | - | 177,083 |
| 1,174,795 | - | 1,174,795 |
| 12,153,925 | - | 12,153,925 |
| (401,847) | (6,832) | (408,679) |
| 6,233,876 | 79,079 | 6,312,955 |
| - | - | - |
| - | - | - |
| (398,118) | - | (398,118) |
| (3,729) | (6,832) | (10,561) |
| \$ 5,832,029 | \$ 72,247 | \$ 5,904,276 |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | CSBG | Energy Assistance | Weatherization | Head Start | USDA |
|---|-------------------|----------------------|-------------------|---------------------|-------------------|
| OPERATING EXPENSES: | | | | | |
| Salaries and wages | \$ 209,955 | \$ 163,181 | \$ 12,536 | \$ 2,292,586 | \$ 43,246 |
| Payroll taxes | 17,110 | 14,662 | 2,159 | 220,078 | 4,253 |
| Employee benefits | 26,554 | 24,452 | 1,847 | 355,576 | 9,371 |
| Employee related expenses | 340 | 1,057 | 735 | 10,873 | 3 |
| Professional fees | 4,568 | 7,561 | 32,259 | 67,200 | 985 |
| Supplies | 2,410 | 11,262 | 949 | 288,646 | 191,415 |
| Communications | 6,633 | 4,996 | 386 | 46,835 | 74 |
| Shipping | 809 | 3,230 | 102 | 3,246 | 92 |
| Occupancy cost | 34,990 | 21,446 | 1,867 | 275,224 | 285 |
| Equipment rental and maintenance | 5,987 | 9,688 | 165 | 46,317 | 280 |
| Printing and publications | 1,571 | 374 | 13 | 4,779 | 39 |
| Travel and transportation | 8,087 | 2,830 | 288 | 94,565 | 33 |
| Conferences and meetings | 1,541 | 765 | 781 | 77,801 | 85 |
| Specific assistance to individuals | 7,993 | 1,506,918 | 54,677 | 332,430 | - |
| Membership dues | 469 | 516 | 85 | 4,851 | 72 |
| Property maintenance | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Interest expense | - | - | - | - | - |
| Insurance and other expenses | 2,340 | 1,595 | 1,821 | 28,195 | 533 |
| Total expenses reported by function before GAAP adjustments | <u>331,357</u> | <u>1,774,533</u> | <u>110,670</u> | <u>4,149,202</u> | <u>250,766</u> |
| GAAP adjustments: | | | | | |
| Extraordinary loss | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total expenses reported by function after GAAP adjustments | <u>\$ 331,357</u> | <u>\$ 1,774,533</u> | <u>\$ 110,670</u> | <u>\$ 4,149,202</u> | <u>\$ 250,766</u> |

See accompanying notes to financial statements.

| Section 8 | WIC | ESG | Other Programs | Management and General | Subsidiaries | Totals |
|---------------------|-------------------|-------------------|-------------------|------------------------|-------------------|----------------------|
| \$ 137,727 | \$ 224,074 | \$ 114,995 | \$ 109,224 | \$ 2,206 | \$ 6,033 | \$ 3,315,763 |
| 13,532 | 20,735 | 11,072 | 11,688 | 342 | - | 315,631 |
| 15,501 | 26,071 | 18,617 | 25,951 | 325 | - | 504,265 |
| 40 | 596 | 3 | 106 | 1,077 | - | 14,830 |
| 5,997 | 3,057 | 1,498 | 42,400 | 37,303 | 201,045 | 403,873 |
| 3,029 | 15,851 | 3,002 | 8,178 | 2,437 | 88 | 527,267 |
| 3,984 | 12,112 | 6,357 | 2,798 | - | - | 84,175 |
| 3,165 | 518 | 169 | 869 | 53 | - | 12,253 |
| 15,333 | 36,721 | 11,680 | 19,754 | (122) | 2 | 417,180 |
| 5,242 | 4,608 | 920 | 2,921 | 279 | 1 | 76,408 |
| 81 | 89 | 219 | 149 | - | 1 | 7,315 |
| 4,564 | 3,699 | 5,306 | 1,851 | 215 | 49 | 121,487 |
| 257 | 145 | 24 | 645 | 507 | 163 | 82,714 |
| 2,860,934 | - | 244,164 | 47,325 | 20,262 | - | 5,074,703 |
| 269 | 235 | 3 | 444 | - | - | 6,944 |
| - | - | - | - | - | 188,998 | 188,998 |
| - | - | - | - | - | 70,561 | 70,561 |
| - | - | - | - | 696 | 90,026 | 90,722 |
| 1,301 | 1,856 | 1,679 | 3,366 | 386,227 | 103,539 | 532,452 |
| <u>3,070,956</u> | <u>350,367</u> | <u>419,708</u> | <u>277,669</u> | <u>451,807</u> | <u>660,506</u> | <u>11,847,541</u> |
| - | - | - | - | 7,778 | - | 7,778 |
| - | - | - | - | 114,021 | 279,576 | 393,597 |
| <u>\$ 3,070,956</u> | <u>\$ 350,367</u> | <u>\$ 419,708</u> | <u>\$ 277,669</u> | <u>\$ 573,606</u> | <u>\$ 940,082</u> | <u>\$ 12,248,916</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | CSBG | Energy Assistance | Weatherization | Head Start | USDA |
|---|-------------------|----------------------|-------------------|---------------------|-------------------|
| OPERATING EXPENSES: | | | | | |
| Salaries and wages | \$ 256,659 | \$ 159,322 | \$ 105,089 | \$ 2,064,414 | \$ 35,245 |
| Payroll taxes | 22,076 | 14,482 | 9,568 | 192,179 | 2,944 |
| Employee benefits | 42,369 | 25,792 | 17,209 | 343,189 | 9,796 |
| Employee related expenses | 325 | 146 | 901 | 12,172 | - |
| Professional fees | 8,351 | 14,189 | 210,723 | 66,481 | 186 |
| Supplies | 10,039 | 61,886 | 8,029 | 377,580 | 191,443 |
| Communications | 14,739 | 5,036 | 1,554 | 51,272 | 16 |
| Shipping | 2,336 | 1,569 | 429 | 3,419 | 21 |
| Occupancy cost | 43,054 | 14,617 | 6,238 | 286,671 | 19 |
| Equipment rental and maintenance | 6,565 | 11,314 | 2,717 | 55,033 | 51 |
| Printing and publications | 979 | 172 | 131 | 4,139 | - |
| Travel and transportation | 7,370 | 2,669 | 3,615 | 96,627 | 9 |
| Conferences and meetings | 4,090 | 2,281 | 3,373 | 99,112 | 64 |
| Specific assistance to individuals | 7,437 | 1,723,914 | 167,819 | 302,453 | - |
| Membership dues | 1,017 | 346 | 124 | 4,512 | - |
| Property maintenance | - | - | - | - | - |
| Utilities | - | - | - | - | - |
| Interest expense | - | - | - | - | - |
| Insurance and other expenses | 2,421 | 807 | 3,208 | 23,050 | 42 |
| Total expenses reported by function before GAAP adjustments | <u>429,827</u> | <u>2,038,542</u> | <u>540,727</u> | <u>3,982,303</u> | <u>239,836</u> |
| GAAP adjustments: | | | | | |
| Amortization | - | - | - | - | - |
| Extraordinary loss | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total expenses reported by function after GAAP adjustments | <u>\$ 429,827</u> | <u>\$ 2,038,542</u> | <u>\$ 540,727</u> | <u>\$ 3,982,303</u> | <u>\$ 239,836</u> |

See accompanying notes to financial statements.

| Section 8 | WIC | ESG | Other Programs | Management and General | Subsidiaries | Totals |
|---------------------|-------------------|-------------------|-------------------|------------------------|---------------------|----------------------|
| \$ 138,316 | \$ 209,058 | \$ 84,821 | \$ 169,865 | \$ 4,936 | \$ 7,578 | \$ 3,235,303 |
| 12,871 | 19,074 | 7,017 | 16,679 | 313 | 5,181 | 302,384 |
| 18,591 | 24,873 | 25,668 | 42,781 | 548 | - | 550,816 |
| 14 | 2,054 | 2 | 647 | 5,652 | - | 21,913 |
| 5,023 | 3,211 | 1,751 | 9,530 | 27,966 | 203,031 | 550,442 |
| 3,748 | 11,225 | 5,059 | 28,207 | 4,007 | 8 | 701,231 |
| 4,763 | 12,403 | 5,997 | 5,835 | - | - | 101,615 |
| 4,291 | 1,384 | 127 | 652 | 1 | - | 14,229 |
| 9,273 | 36,824 | 8,953 | 102,163 | 384 | 11 | 508,207 |
| 4,063 | 1,864 | 702 | 3,873 | 4,065 | 1 | 90,248 |
| 150 | 172 | 13 | 375 | - | 117 | 6,248 |
| 4,054 | 3,092 | 4,977 | 7,705 | 144 | 233 | 130,495 |
| 1,307 | 2,088 | 29 | 11,311 | 945 | - | 124,600 |
| 2,305,231 | - | 120,876 | 53,706 | 22,057 | - | 4,703,493 |
| 163 | 233 | - | 466 | - | - | 6,861 |
| - | - | - | - | - | 233,636 | 233,636 |
| - | - | - | - | - | 82,879 | 82,879 |
| - | - | - | - | 650 | 121,335 | 121,985 |
| 1,045 | 1,655 | 1,336 | 7,576 | 2,319 | 130,951 | 174,410 |
| <u>2,512,903</u> | <u>329,210</u> | <u>267,328</u> | <u>461,371</u> | <u>73,987</u> | <u>784,961</u> | <u>11,660,995</u> |
| - | - | - | - | - | 2,129 | 2,129 |
| - | - | - | - | 1,672 | - | 1,672 |
| - | - | - | - | 101,424 | 387,705 | 489,129 |
| <u>\$ 2,512,903</u> | <u>\$ 329,210</u> | <u>\$ 267,328</u> | <u>\$ 461,371</u> | <u>\$ 177,083</u> | <u>\$ 1,174,795</u> | <u>\$ 12,153,925</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | \$ (537,468) | \$ (408,679) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 393,597 | 489,129 |
| Amortization | 1,216 | 400 |
| (Gain) loss on sale of asset | 236,105 | - |
| Increase (decrease) in cash from changes in: | | |
| Grants receivable | 131,531 | 121,737 |
| Accounts receivable | (2,232) | 4,869 |
| Mortgage escrow | 31,955 | (6,008) |
| Security deposits | 567 | 8,941 |
| Operating reserve | 52,505 | (11,336) |
| Other assets | 692,340 | 28,245 |
| Prepaid expenses | 2,496 | (2,030) |
| Accounts payable and accrued expenses | (30,630) | (113,758) |
| Prepaid rent | (932) | (484) |
| Advances payable | 2,737 | (15,536) |
| Net cash provided by (used in) operating activities | <u>973,787</u> | <u>95,490</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Deposits to replacement reserves | 15,730 | 17,221 |
| Withdrawals from replacement reserves | (6,608) | - |
| Investments | 36 | (36) |
| Acquisition of property and equipment, net | (113,872) | (44,273) |
| Proceeds from sale of property | 100,860 | - |
| Net cash provided by (used in) investing activities | <u>(3,854)</u> | <u>(27,088)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from lines of credit | (50,000) | - |
| Repayment of term loans | (761,695) | (100,685) |
| Net cash provided by (used in) financing activities | <u>(811,695)</u> | <u>(100,685)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 158,238 | 8,093 |
| CASH, BEGINNING OF YEAR | <u>267,184</u> | <u>259,091</u> |
| CASH, END OF YEAR | <u>\$ 425,422</u> | <u>\$ 267,184</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid for: | | |
| Interest | <u>\$ 190,841</u> | <u>\$ 113,817</u> |

See accompanying notes to financial statements.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 had 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 January 2017 interest in Jerman Housing, LLC and Jerman Housing, LP were transferred to a limited partner in exchange for relief of its obligations under current agreements with various funders and creditors. 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 was Jerman Housing, LLC. As discussed above, HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. (HSI), and Maxwell Properties V, Inc., were members of the general partner. The limited partner was Maxwell Properties. The sponsor of the project was Human Services, Inc. In January 2017, Human Services transferred its interest in Jerman Housing L.P. to the limited partner in exchange for relief of its obligations under current agreements with various funders and creditors (as disclosed in footnotes 3 and 5).

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.

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:

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.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINANCIAL STATEMENT PRESENTATION – (continued)

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.

See Note 6 for a description of the Organization's temporarily restricted net assets. As of December 31, 2017 and 2016 the Organization does not have any permanently restricted net assets. In addition, as of December 31, 2017 and 2016 the Subsidiaries do not have any temporarily or permanently restricted net assets.

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.

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.

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.

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 Uniform Guidance. The interest earned on other funds is included in unrestricted funds and is used to support the Organization's programs. This is in accordance with the Intergovernmental Cooperation Act (31 U.S.C. 6501 etc. seq.) and applicable State of Indiana regulations.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 is zero. Therefore, as of December 31, 2017 and 2016 no bad debt allowance is considered necessary.

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 forty years. The following is a summary of the lives for each class of asset:

| | |
|----------------------------------|--------------|
| 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. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Expenditures for maintenance and repairs are expensed when incurred. Total depreciation expense for the years ended December 31, 2017 and 2016, was \$393,597 and \$489,129.

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, 2017 and 2016, the Subsidiary maintained no property and equipment on its Statement of Financial Position. Refer to Note 2 for specific accounting policies related to the other subsidiaries.

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, 2017 and 2016.

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.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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, 2017 and 2016:

| | Cost or Original Donated <u>Value</u> | Market <u>Value</u> |
|---------------------------------|--|------------------------|
| <u>As of December 31, 2017:</u> | | |
| Wells Fargo & Company Stock | <u>\$ 1,049</u> | <u>\$ 2,609</u> |
| <u>As of December 31, 2016:</u> | | |
| Wells Fargo & Company Stock | <u>\$ 1,049</u> | <u>\$ 2,645</u> |

DEBT ISSUANCE COSTS

In 2016 the Association adopted new authoritative GAAP guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are now reported on the statement of financial position as a direct deduction from the face amount of debt.

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, 2017 AND 2016

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

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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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, 2017 and 2016, this adjustment amounted to \$360,379 and \$395,049, 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 2017 and 2016, the Organization also received other in-kind contributions totaling \$575,793 and \$532,321, respectively, related to its Head Start program which includes services from non-professional volunteers during 2017 and 2016, which are not recorded in the Consolidated Statement of Activities and Changes in Net Assets.

| | <u>2017</u> | <u>2016</u> |
|--|--------------------------|--------------------------|
| Head Start In-Kind space | \$ 106,829 | \$ 92,596 |
| Head Start In-Kind supplies/food | 175,228 | 218,120 |
| Head Start In-Kind professional services | <u>78,322</u> | <u>84,333</u> |
| Total In-Kind per GAAP | 360,379 | 395,049 |
| Head Start volunteer services | <u>575,793</u> | <u>532,321</u> |
| Total In-Kind for All Programs | <u><u>\$ 936,172</u></u> | <u><u>\$ 927,370</u></u> |

RECLASSIFICATIONS

Certain prior year financial information has been reclassified to conform to the current year presentation.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 6, 2018, which is the date the financial statements were available to be issued.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 2017 or 2016.

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.

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.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES – (continued)

OAK HILL APARTMENTS II, 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 2017 or 2016. 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.

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 2017 or 2016.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES – (continued)

PEARSON PLACE, LP – (continued)

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 2017 or 2016.

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.

JERMAN HOUSING, LP

The buildings and improvements were transferred from construction in progress when the respective units were placed in service. They were 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 were depreciated using the straight-line method over lives of 40 years, 15 years, and 5 years, respectively.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF PARTNERSHIPS’ SIGNIFICANT ACCOUNTING POLICIES – (continued)

JERMAN HOUSING, LP – (continued)

The Partnership reviewed 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 2016.

Syndication costs were 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 were charged to bad debt expense when they were 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 was not materially different from the results that would have been obtained under the allowance method.

No provision for income taxes had 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 required management to make estimates and assumptions that affect the reported amounts. Actual results may differ from these amounts.

NOTE 3 – 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 was also a 50% member of Jerman Housing, LLC which owned a minority general partner interest in Jerman Housing, L.P. as of December 31, 2016.

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, 2017 and 2016 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, 2017 and 2016 the balance of the note receivable was \$490,132.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)

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, 2017 and 2016 the balance of the note was \$162,704 and \$185,358, 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, 2017 and 2016 the balance of the note receivable was \$300,000.

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, 2017 and 2016 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, 2017 and 2016 \$208,500 was still receivable on the note.

The Organization had provided \$360,000 to Jerman Housing, L.P. through the AHP program. Dated July 30, 2003, the note carried an interest rate of 4.17% per annum with payments of principal and interest being made from available cash flow. The note was collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest were due on December 31, 2033. As of December 31, 2016 the balance of the note receivable was \$360,000. The note was forgiven with the transfer of the property to the limited partner in 2017.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)

The Organization had also provided \$300,000 to Jerman Housing, L.P. through the AHP program of the FHLB. Dated July 30, 2003, the note carried an interest rate of 4.65% per annum with payments of principal and interest being made from available cash flow. The note was collateralized by real estate, improvements and assignment of the rents earned by the partnership and the balance of all unpaid principal and interest was due on December 31, 2033. As of December 31, 2016 the balance of the note receivable was \$300,000. The note was forgiven with the transfer of the property to the limited partner in 2017.

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, 2017 and 2016 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, 2017 and 2016 the balance on the note was \$500,000.

The future maturities of long-term notes receivable are as follows for the year ended December 31, 2017:

| | |
|---------------------------|----------------------------|
| 2018 | \$ 749,570 |
| 2019 | 233,312 |
| 2020 | 325,969 |
| 2021 | 27,181 |
| 2022 | 28,449 |
| Thereafter | <u>1,032,587</u> |
| Total related party notes | 2,397,068 |
| Plus: revolving loans | <u>11,095</u> |
| Total notes receivable | <u><u>\$ 2,408,163</u></u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)

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, 2017 and 2016.

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, 2017 and 2016, 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 2017 or 2016.

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 \$6,000 are included in accounts payable – related parties at December 31, 2017 and 2016, respectively.

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 2017 and 2016 were \$4,031 and \$3,914, respectively. As of December 31, 2017 and 2016, \$7,945 and \$7,714, respectively, is included in accounts payable – related parties.

The general partner has advanced the Partnership \$25,000 through December 31, 2017 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, 2017 and 2016, respectively.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 – RELATED PARTIES AND NOTES RECEIVABLE – (continued)

RIDGECREST LIMITED, LP – (continued)

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 2017 or 2016.

JERMAN HOUSING, LP

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

The general partner was 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 was payable out of available cash flow, as defined. No fee was paid in 2016.

HSI and Maxwell Properties V, Inc. served as co-developers for the project. As compensation for their services, they received \$377,200, which was payable at various times, as specified in the partnership agreement. 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 was entitled to an annual investor services fee of \$3,000 increasing annually by 3%. The fee was payable out of available cash flow, as defined. Any unpaid amounts were accrued. Fees totaled \$4,405 for the year ended December 31, 2016. Accrued fees of \$16,867 were outstanding at December 31, 2016, respectively, and were included in accounts payable – related parties. The payable was forgiven with the transfer of the property to the limited partner in 2017.

Maxwell Properties V, Inc. acts as the property manager. They received a monthly property management fee of 6% of actual rents collected for the preceding month. Fees totaling \$9,757 were earned in 2016. A payable to the property manager totaled \$23,459 at December 31, 2016 and was included in accounts payable – related parties. The payable was forgiven with the transfer of the property to the limited partner in 2017.

NOTE 4 – LINE OF CREDIT

The Organization has a \$125,000 line of credit with a financial institution. This line has a maturity date which has been extended to January 2018. The interest rate is (4.5% as of December 31, 2017) based on .25 points over the First Financial Bank Prime Rate. The line is collateralized by substantially all of the Organization's assets and is payable at maturity. At December 31, 2016 the outstanding line of credit balance was \$50,000. There was no balance for the year ended December 31, 2017.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT

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

| | <u>2017</u> | <u>2016</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. | 162,704 | 185,358 |
| 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 |
| 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 |
| 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 |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT – (continued)

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| 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. | <u>57,500</u> | <u>57,500</u> |
| | <u>\$ 2,454,568</u> | <u>\$ 3,137,222</u> |

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

| | | |
|------------|-----------|------------------|
| 2018 | \$ | 749,570 |
| 2019 | | 233,312 |
| 2020 | | 325,969 |
| 2021 | | 27,181 |
| 2022 | | 28,449 |
| Thereafter | | <u>1,032,587</u> |
| | <u>\$</u> | <u>2,397,068</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT – (continued)

OAK HILL APARTMENTS, LP

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

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|---------------------|
| <p>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.</p> | \$ 254,675 | \$ 289,552 |
| <p>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.</p> | 235,732 | 235,732 |
| <p>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.</p> | <u>490,132</u> | <u>490,132</u> |
| | 980,539 | 1,015,416 |
| Less: debt issuance costs, net of amortization | <u>(2,444)</u> | <u>(2,851)</u> |
| | <u>\$ 978,095</u> | <u>\$ 1,012,565</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – 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,

| | | |
|--------------------|----|-----------|
| 2018 | \$ | 762,579 |
| 2019 | | 38,429 |
| 2020 | | 40,222 |
| 2021 | | 42,099 |
| 2022 | | 44,064 |
| Thereafter | | 53,146 |
| | \$ | 980,539 |
| Less: eliminations | | (725,864) |
| | \$ | 254,675 |

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

| | <u>2017</u> | <u>2016</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> | \$ 162,704 | \$ 185,358 |
| <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, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT – (continued)

OAK HILL APARTMENTS II, LP – (continued)

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| 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 |
| | 483,193 | 505,847 |
| Less: debt issuance costs, net of amortization | (2,457) | (2,866) |
| | <u>\$ 480,736</u> | <u>\$ 502,981</u> |

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

| | | |
|--------------------|----|-----------|
| 2018 | \$ | 23,706 |
| 2019 | | 24,812 |
| 2020 | | 325,969 |
| 2021 | | 27,181 |
| 2022 | | 28,449 |
| Thereafter | | 53,076 |
| | \$ | 483,193 |
| Less: eliminations | | (483,193) |
| | \$ | - |

PEARSON PLACE, LP

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

| | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| (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. | \$ 517,752 | \$ 528,900 |
| 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 |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT – (continued)

PEARSON PLACE, LP – (continued)

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| 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 |
| 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. | <u>90,692</u> | <u>90,692</u> |
| | 1,720,444 | 1,731,592 |
| Less: debt issuance costs, net of amortization | <u>(2,000)</u> | <u>(2,400)</u> |
| | <u>\$ 1,718,444</u> | <u>\$ 1,729,192</u> |

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

| | | |
|--------------------|----|--------------------|
| 2018 | \$ | 14,773 |
| 2019 | | 15,873 |
| 2020 | | 17,036 |
| 2021 | | 220,976 |
| 2022 | | 451,786 |
| Thereafter | | <u>1,000,000</u> |
| | | 1,720,444 |
| Less: eliminations | | <u>(1,000,000)</u> |
| | \$ | <u>720,444</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT – (continued)

RIDGECREST LIMITED, LP

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

| | <u>2017</u> | <u>2016</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> | \$ 264,418 | \$ 273,103 |
| <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> | <u>208,500</u> | <u>208,500</u> |
| | <u>\$ 472,918</u> | <u>\$ 481,603</u> |

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

| | | |
|--------------------|----|------------------|
| 2018 | \$ | 7,162 |
| 2019 | | 216,104 |
| 2020 | | 8,073 |
| 2021 | | 8,571 |
| 2022 | | 9,100 |
| Thereafter | | <u>223,908</u> |
| | | 472,918 |
| Less: eliminations | | <u>(208,500)</u> |
| | \$ | <u>264,418</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM DEBT – (continued)

JERMAN HOUSING, LP

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

| | <u>2017</u> | <u>2016</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. | \$ - | \$ 296,401 |
| 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 |
| 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 |
| | - | 956,401 |
| Less: debt issuance costs, net of amortization | - | (6,479) |
| | <u>\$ -</u> | <u>\$ 949,922</u> |

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 was approximately \$217,985 and \$214,115, respectively.

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

| | | |
|------------|----|----------------|
| 2018 | \$ | 103,609 |
| 2019 | | 52,966 |
| 2020 | | 42,131 |
| 2021 | | 47,149 |
| 2022 | | 33,873 |
| Thereafter | | 143,693 |
| | \$ | <u>423,421</u> |

None of the Subsidiaries held leases during the years ended December 31, 2017 and 2016.

NOTE 8 – 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, 2017 and 2016.

NOTE 9 – 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 Interest | Non-controlling Interest | Total |
|---------------------------|-------------------------|-----------------------------|---------------------|
| Balance January 1, 2016 | \$ 3,026,724 | \$ 3,286,231 | \$ 6,312,955 |
| Net change in net assets | <u>(10,561)</u> | <u>(398,118)</u> | <u>(408,679)</u> |
| Balance December 31, 2016 | 3,016,163 | 2,888,113 | 5,904,276 |
| Transfer of interest | (184,875) | (1,296,348) | (1,481,223) |
| Net change in net assets | <u>(251,365)</u> | <u>(286,103)</u> | <u>(537,468)</u> |
| Balance December 31, 2017 | <u>\$ 2,579,923</u> | <u>\$ 1,305,662</u> | <u>\$ 3,885,585</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 – 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.

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.

NOTE 11 – 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, 2017 and 2016. The balance in excess of FDIC coverage is collaterally secured by the bank with Treasury Bills. At December 31, 2017 and 2016 there were \$74,049 and \$0 of deposits in excess of FDIC coverage, respectively.

Financial awards from federal, state and local governmental entities make up 85% and 84% of total revenues for the years ended December 31, 2017 and 2016, respectively. These grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 are as follows:

| 2017 | Oak Hill Apartments, <u>LP</u> | Oak Hill Apartments II, <u>LP</u> | Pearson Place, <u>LP</u> | Ridgecrest Limited <u>LP</u> |
|-------------------------------|--------------------------------------|---|-----------------------------|---------------------------------|
| EXPENSES | | | | |
| Administrative | \$ 75,350 | \$ 34,235 | \$ 52,653 | \$ 24,721 |
| Utilities | 24,610 | 13,160 | 28,499 | 4,291 |
| Operating and maintenance | 83,176 | 34,799 | 47,162 | 23,861 |
| Taxes and insurance | 35,109 | 18,950 | 29,514 | 17,072 |
| Administrative service fee | 2,000 | 1,000 | 4,031 | 2,500 |
| Interest | 22,363 | 15,162 | 100,661 | 29,479 |
| Depreciation | 77,827 | 41,358 | 128,538 | 31,853 |
| Amortization | 407 | 409 | 400 | - |
| Total Expenses | <u>\$ 320,842</u> | <u>\$ 159,073</u> | <u>\$ 391,458</u> | <u>\$ 133,777</u> |
| | Jerman <u>Housing, LP</u> | HSI <u>Properties, Inc.</u> | HSI <u>Solutions</u> | <u>Total</u> |
| Administrative | \$ - | \$ 13,787 | \$ - | \$ 200,746 |
| Utilities | - | - | - | 70,560 |
| Operating and maintenance | - | - | - | 188,998 |
| Taxes and insurance | - | - | - | 100,645 |
| Administrative service fee | - | - | - | 9,531 |
| Interest | - | - | - | 167,665 |
| Depreciation | - | - | - | 279,576 |
| Amortization | - | - | - | 1,216 |
| Total Expenses | <u>\$ -</u> | <u>\$ 13,787</u> | <u>\$ -</u> | <u>\$ 1,018,937</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 – SUBSIDIARY EXPENSES – (continued)

| 2016 | Oak Hill Apartments, <u>LP</u> | Oak Hill Apartments II, <u>LP</u> | Pearson Place, <u>LP</u> | Ridgecrest <u>Limited LP</u> |
|-------------------------------|--------------------------------------|---|-----------------------------|---------------------------------|
| EXPENSES | | | | |
| Administrative | \$ 49,782 | \$ 30,003 | \$ 48,212 | \$ 27,704 |
| Utilities | 21,467 | 12,194 | 24,117 | 6,737 |
| Operating and maintenance | 75,419 | 35,780 | 57,165 | 26,922 |
| Taxes and insurance | 37,181 | 15,943 | 25,392 | 15,722 |
| Administrative service fee | 2,000 | 1,000 | 3,914 | 2,500 |
| Interest | 22,891 | 15,133 | 99,880 | 29,098 |
| Depreciation | 77,828 | 41,358 | 128,538 | 31,852 |
| Amortization | 407 | 409 | - | - |
| Total Expenses | <u>\$ 286,975</u> | <u>\$ 151,820</u> | <u>\$ 387,218</u> | <u>\$ 140,535</u> |
| | <u>Jerman Housing, LP</u> | <u>HSI Properties, Inc.</u> | <u>HSI Solutions</u> | <u>Total</u> |
| Administrative | \$ 43,524 | \$ 18,469 | \$ - | \$ 217,694 |
| Utilities | 20,223 | - | - | 84,738 |
| Operating and maintenance | 35,702 | - | - | 230,988 |
| Taxes and insurance | 29,469 | - | - | 123,707 |
| Administrative service fee | - | - | - | 9,414 |
| Interest | 51,343 | - | - | 218,345 |
| Depreciation | 108,129 | - | - | 387,705 |
| Amortization | 1,313 | - | - | 2,129 |
| Total Expenses | <u>\$ 289,703</u> | <u>\$ 18,469</u> | <u>\$ -</u> | <u>\$ 1,274,720</u> |

NOTE 13 – SUBSEQUENT EVENT

On August 3, 2018 HSI Properties, Inc. purchased the building which Human Services, Inc. currently occupies for \$325,000. HSI Properties, Inc. financed \$260,000 of the purchase through a mortgage. The mortgage carries an interest rate of 5.16% for the first five years and then changes to a variable rate thereafter. The mortgage matures in August 2033. The mortgage has a 3% prepayment penalty during the first seven years.

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, 2017, 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 40 through 55) 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, for the years ended December 31, 2016 are based on the reports 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 6, 2018

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

| ASSETS | Human Services, Inc. | | | |
|---|-----------------------------|---------------------------|--------------------------|------------------------------------|
| | <u>Parent</u> | <u>HSI Properties</u> | <u>HSI Solutions</u> | <u>Oak Hill Apartments, LP</u> |
| CURRENT ASSETS | | | | |
| Cash | \$ 281,165 | \$ 107,431 | \$ 2,446 | \$ 7,474 |
| Accounts receivable - tenant | - | - | - | 8,045 |
| Accounts receivable - HSI | - | - | - | 28,210 |
| Grants receivable | 341,034 | - | - | - |
| Other receivables | - | - | - | - |
| Investments | 2,609 | - | - | - |
| Notes receivable - current portion | 749,570 | 66,123 | - | - |
| Operating reserve | - | - | - | 43,617 |
| Security deposits | - | - | - | 16,310 |
| Mortgage escrow | - | - | - | 53,396 |
| Prepaid expenses | 24,985 | - | - | - |
| Total current assets | 1,399,363 | 173,554 | 2,446 | 157,052 |
| PROPERTY AND EQUIPMENT | | | | |
| Buildings and building improvements | 1,675,858 | - | - | 2,140,230 |
| Site costs | - | - | - | 287,398 |
| Personal property | - | - | - | 103,249 |
| Equipment | 872,552 | - | - | - |
| Land and land improvements | 125,000 | - | - | 103,449 |
| | 2,673,410 | - | - | 2,634,326 |
| Less accumulated depreciation | (1,396,745) | - | - | (1,927,719) |
| Total property and equipment, net | 1,276,665 | - | - | 706,607 |
| OTHER ASSETS | | | | |
| Investments - subsidiaries | 235,780 | 62,711 | - | - |
| Replacement reserve | - | - | - | 118,265 |
| Notes receivable - net of current portion | 2,675,069 | - | - | - |
| Total other assets | 2,910,849 | 62,711 | - | 118,265 |
| Total assets | \$ 5,586,877 | \$ 236,265 | \$ 2,446 | \$ 981,924 |

See independent auditor's report on supplementary information.

| <u>Oak Hill Apartments II, LP</u> | <u>Pearson Place, LP</u> | <u>Ridgecrest Limited, LP</u> | <u>Jerma Housing, LLC</u> | <u>Jerma Housing, LP</u> | <u>Eliminations</u> | <u>Consolidated Total</u> |
|---------------------------------------|------------------------------|-----------------------------------|-------------------------------|------------------------------|-----------------------|-------------------------------|
| \$ 6,505 | \$ 4,178 | \$ 16,223 | \$ - | \$ - | \$ - | \$ 425,422 |
| 1,894 | 1,129 | 825 | - | - | - | 11,893 |
| - | - | - | - | - | (28,210) | - |
| - | - | - | - | - | - | 341,034 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 2,609 |
| - | - | - | - | - | (815,693) | - |
| 4,495 | 30 | 4,232 | - | - | - | 52,374 |
| 7,700 | 9,773 | 7,845 | - | - | - | 41,628 |
| 10,429 | 3,442 | 44,438 | - | - | - | 111,705 |
| 4,669 | - | 4,350 | - | - | - | 34,004 |
| <u>35,692</u> | <u>18,552</u> | <u>77,913</u> | <u>-</u> | <u>-</u> | <u>(843,903)</u> | <u>1,020,669</u> |
| 1,137,358 | 4,911,560 | 1,242,247 | - | - | - | 11,107,253 |
| 409,848 | 86,235 | 30,780 | - | - | - | 814,261 |
| 44,144 | - | - | - | - | - | 147,393 |
| - | 66,369 | 41,811 | - | - | - | 980,732 |
| 91,088 | 6,000 | 45,000 | - | - | - | 370,537 |
| <u>1,682,438</u> | <u>5,070,164</u> | <u>1,359,838</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,420,176</u> |
| <u>(1,136,196)</u> | <u>(1,480,227)</u> | <u>(637,145)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,578,032)</u> |
| <u>546,242</u> | <u>3,589,937</u> | <u>722,693</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,842,144</u> |
| - | - | - | - | - | (298,491) | - |
| 57,753 | 27,938 | 49,237 | - | - | - | 253,193 |
| - | - | - | - | - | (2,663,974) | 11,095 |
| <u>57,753</u> | <u>27,938</u> | <u>49,237</u> | <u>-</u> | <u>-</u> | <u>(2,962,465)</u> | <u>264,288</u> |
| <u>\$ 639,687</u> | <u>\$ 3,636,427</u> | <u>\$ 849,843</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,806,368)</u> | <u>\$ 8,127,101</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – (CONTINUED)
DECEMBER 31, 2017

| LIABILITIES AND NET ASSETS | Human Services, Inc. | | | |
|--|-----------------------------|---------------------------|--------------------------|------------------------------------|
| | <u>Parent</u> | <u>HSI Properties</u> | <u>HSI Solutions</u> | <u>Oak Hill Apartments, LP</u> |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 244,379 | \$ - | \$ - | \$ 2,865 |
| Accounts payable - related parties | - | - | - | 9,401 |
| Developer fees payable | - | - | - | - |
| Accrued payroll taxes and withholdings | 81,076 | - | - | - |
| Accrued interest payable | - | - | - | 165,846 |
| Accrued real estate taxes | - | - | - | 18,744 |
| Advances payable | 3,439 | 2,931 | - | - |
| Security deposits | - | - | - | 16,310 |
| Prepaid rent | - | - | - | 60 |
| Line of credit | - | - | - | - |
| Current portion of long-term liabilities | 749,570 | - | - | 762,579 |
| Total current liabilities | 1,078,464 | 2,931 | - | 975,805 |
| LONG-TERM LIABILITIES | | | | |
| Term loans, net of debt issuance costs | 1,704,998 | - | - | 215,516 |
| Total liabilities | 2,783,462 | 2,931 | - | 1,191,321 |
| NET ASSETS | | | | |
| Non-controlling interest in net assets | | | | |
| Unrestricted | - | - | - | (208,853) |
| Controlling interest in net assets | | | | |
| Unrestricted | 2,726,785 | 233,334 | 2,446 | (544) |
| Temporarily restricted | 76,630 | - | - | - |
| Total net assets | 2,803,415 | 233,334 | 2,446 | (209,397) |
| Total liabilities and net assets | \$ 5,586,877 | \$ 236,265 | \$ 2,446 | \$ 981,924 |

See independent auditor's report on supplementary information.

| | <u>Oak Hill Apartments II, LP</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> |
|----|---------------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|-----------------------|-------------------------------|
| \$ | 1,178 | \$ 10,900 | \$ 939 | \$ - | \$ - | \$ (28,210) | \$ 232,051 |
| | 5,699 | 34,138 | 15,679 | - | - | (25,000) | 39,917 |
| | - | 92,000 | - | - | - | - | 92,000 |
| | - | - | - | - | - | - | 81,076 |
| | 79,290 | 578,045 | 221,465 | - | - | (1,037,210) | 7,436 |
| | 8,343 | 18,193 | 9,266 | - | - | - | 54,546 |
| | - | - | - | - | - | - | 6,370 |
| | 7,700 | 9,773 | 7,845 | - | - | - | 41,628 |
| | 1 | 799 | 5 | - | - | - | 865 |
| | - | - | - | - | - | - | - |
| | 23,706 | 16,512 | 7,162 | - | - | (749,570) | 809,959 |
| | <u>125,917</u> | <u>760,360</u> | <u>262,361</u> | <u>-</u> | <u>-</u> | <u>(1,839,990)</u> | <u>1,365,848</u> |
| | 457,030 | 1,700,255 | 465,756 | - | - | (1,667,887) | 2,875,668 |
| | 582,947 | 2,460,615 | 728,117 | - | - | (3,507,877) | 4,241,516 |
| | 56,653 | 1,176,013 | 58,357 | - | - | 223,492 | 1,305,662 |
| | 87 | (201) | 63,369 | - | - | (521,983) | 2,503,293 |
| | - | - | - | - | - | - | 76,630 |
| | 56,740 | 1,175,812 | 121,726 | - | - | (298,491) | 3,885,585 |
| \$ | <u>639,687</u> | <u>\$ 3,636,427</u> | <u>\$ 849,843</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,806,368)</u> | <u>\$ 8,127,101</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

| ASSETS | Human Services, Inc. | | | |
|---|----------------------|-------------------|------------------|----------------------------|
| | Parent | HSI Properties | HSI Solutions | Oak Hill Apartments, LP |
| CURRENT ASSETS | | | | |
| Cash | \$ 115,635 | \$ 89,802 | \$ 2,446 | \$ 15,063 |
| Accounts receivable - tenant | - | - | - | 6,744 |
| Accounts receivable - HSI | - | - | - | 28,210 |
| Grants receivable | 472,565 | - | - | - |
| Investments | 2,645 | - | - | - |
| Notes receivable - current portion | 2,072,496 | 62,718 | - | - |
| Operating reserve | - | - | - | 43,579 |
| Security Deposits | - | - | - | 15,926 |
| Mortgage escrow | - | - | - | 69,559 |
| Prepaid expenses | 25,114 | - | - | - |
| Total current assets | 2,688,455 | 152,520 | 2,446 | 179,081 |
| PROPERTY AND EQUIPMENT | | | | |
| Buildings and building improvements | 1,675,858 | - | - | 2,140,230 |
| Site costs | - | - | - | 287,398 |
| Personal property | - | - | - | 103,249 |
| Equipment | 1,180,948 | - | - | - |
| Land and land improvements | 125,000 | - | - | 103,449 |
| | 2,981,806 | - | - | 2,634,326 |
| Less accumulated depreciation | (1,697,214) | - | - | (1,849,892) |
| Total property and equipment, net | 1,284,592 | - | - | 784,434 |
| OTHER ASSETS | | | | |
| Investments - subsidiaries | 438,359 | 286,324 | - | - |
| Replacement reserve | - | - | - | 111,031 |
| Notes receivable - net of current portion | 2,351,744 | - | - | - |
| Total other assets | 2,790,103 | 286,324 | - | 111,031 |
| Total assets | \$ 6,763,150 | \$ 438,844 | \$ 2,446 | \$ 1,074,546 |

See independent auditor's report on supplementary information.

| <u>Oak Hill Apartments II, LP</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> |
|---------------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|-----------------------|-------------------------------|
| \$ 5,766 | \$ 1,438 | \$ 9,801 | \$ - | \$ 27,233 | \$ - | \$ 267,184 |
| 810 | 2,049 | - | - | 58 | - | 9,661 |
| - | - | - | - | - | (28,210) | - |
| - | - | - | - | - | - | 472,565 |
| - | - | - | - | - | - | 2,645 |
| - | - | - | - | - | (2,135,214) | - |
| 4,493 | 30 | 4,231 | - | 63,300 | - | 115,633 |
| 7,400 | 11,023 | 7,846 | - | - | - | 42,195 |
| 18,225 | 11,438 | 33,684 | - | - | - | 132,906 |
| 4,250 | 2,245 | 4,891 | - | - | - | 36,500 |
| <u>40,944</u> | <u>28,223</u> | <u>60,453</u> | <u>-</u> | <u>90,591</u> | <u>(2,163,424)</u> | <u>1,079,289</u> |
| 1,137,358 | 4,911,560 | 1,242,247 | - | 4,036,166 | - | 15,143,419 |
| 409,848 | 86,235 | 30,780 | - | - | - | 814,261 |
| 44,144 | - | - | - | 124,067 | - | 271,460 |
| - | 66,369 | 41,811 | - | - | - | 1,289,128 |
| 91,088 | 6,000 | 45,000 | - | 128,350 | - | 498,887 |
| <u>1,682,438</u> | <u>5,070,164</u> | <u>1,359,838</u> | <u>-</u> | <u>4,288,583</u> | <u>-</u> | <u>18,017,155</u> |
| <u>(1,094,838)</u> | <u>(1,351,689)</u> | <u>(605,292)</u> | <u>-</u> | <u>(1,528,251)</u> | <u>-</u> | <u>(8,127,176)</u> |
| <u>587,600</u> | <u>3,718,475</u> | <u>754,546</u> | <u>-</u> | <u>2,760,332</u> | <u>-</u> | <u>9,889,979</u> |
| - | - | - | 446,984 | - | (1,171,667) | - |
| 52,937 | 21,330 | 45,622 | - | 31,395 | - | 262,315 |
| - | - | - | - | - | (2,330,963) | 20,781 |
| <u>52,937</u> | <u>21,330</u> | <u>45,622</u> | <u>446,984</u> | <u>31,395</u> | <u>(3,502,630)</u> | <u>283,096</u> |
| <u>\$ 681,481</u> | <u>\$ 3,768,028</u> | <u>\$ 860,621</u> | <u>\$ 446,984</u> | <u>\$ 2,882,318</u> | <u>\$ (5,666,054)</u> | <u>\$ 11,252,364</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – (CONTINUED)
DECEMBER 31, 2016

| LIABILITIES AND NET ASSETS | Human Services, Inc. | | | <u>Oak Hill Apartments, LP</u> |
|--|----------------------|---------------------------|--------------------------|------------------------------------|
| | <u>Parent</u> | <u>HSI Properties</u> | <u>HSI Solutions</u> | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 259,760 | \$ - | \$ - | \$ 4,463 |
| Accounts payable - related parties | - | - | - | 10,000 |
| Developer fees payable | - | - | - | - |
| Accrued payroll taxes and withholdings | 37,196 | - | - | - |
| Accrued interest payable | - | - | - | 156,166 |
| Accrued real estate taxes | - | - | - | 19,000 |
| Advances payable | 700 | 2,931 | - | - |
| Security deposits | - | - | - | 15,926 |
| Prepaid rent | - | - | - | 878 |
| Line of credit | 50,000 | - | - | - |
| Current portion of long-term liabilities | 748,759 | - | - | 760,942 |
| Total current liabilities | 1,096,415 | 2,931 | - | 967,375 |
| LONG-TERM LIABILITIES | | | | |
| Term loans, net of debt issuance costs | 2,388,463 | - | - | 251,623 |
| Total liabilities | 3,484,878 | 2,931 | - | 1,218,998 |
| NET ASSETS | | | | |
| Non-controlling interest in net assets | | | | |
| Unrestricted | - | - | - | (143,972) |
| Controlling interest in net assets | | | | |
| Unrestricted | 3,206,025 | 435,913 | 2,446 | (480) |
| Temporarily restricted | 72,247 | - | - | - |
| Total net assets | 3,278,272 | 435,913 | 2,446 | (144,452) |
| Total liabilities and net assets | \$ 6,763,150 | \$ 438,844 | \$ 2,446 | \$ 1,074,546 |

See independent auditor's report on supplementary information.

| <u>Oak Hill Apartments II, LP</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> |
|---------------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|-----------------------|-------------------------------|
| \$ 2,164 | \$ 4,631 | \$ 1,947 | \$ - | \$ 44,160 | \$ (28,210) | \$ 288,915 |
| 6,000 | 32,714 | 17,500 | - | - | (25,000) | 41,214 |
| - | 92,000 | - | - | - | - | 92,000 |
| - | - | - | - | - | - | 37,196 |
| 72,225 | 522,090 | 206,768 | - | 387,586 | (1,341,066) | 3,769 |
| 8,100 | 18,000 | 9,521 | - | 7,800 | - | 62,421 |
| - | - | - | - | 2 | - | 3,633 |
| 7,350 | 11,023 | 7,845 | - | 11,625 | - | 53,769 |
| 695 | 152 | 72 | - | - | - | 1,797 |
| - | - | - | - | - | - | 50,000 |
| 22,649 | 13,750 | 6,746 | - | 9,170 | (1,532,350) | 29,666 |
| <u>119,183</u> | <u>694,360</u> | <u>250,399</u> | <u>-</u> | <u>460,343</u> | <u>(2,926,626)</u> | <u>664,380</u> |
| <u>480,332</u> | <u>1,715,442</u> | <u>474,857</u> | <u>-</u> | <u>940,752</u> | <u>(1,567,761)</u> | <u>4,683,708</u> |
| <u>599,515</u> | <u>2,409,802</u> | <u>725,256</u> | <u>-</u> | <u>1,401,095</u> | <u>(4,494,387)</u> | <u>5,348,088</u> |
| 81,854 | 1,358,409 | 71,982 | 223,492 | 1,296,348 | - | 2,888,113 |
| 112 | (183) | 63,383 | 223,492 | 184,875 | (1,171,667) | 2,943,916 |
| - | - | - | - | - | - | 72,247 |
| <u>81,966</u> | <u>1,358,226</u> | <u>135,365</u> | <u>446,984</u> | <u>1,481,223</u> | <u>(1,171,667)</u> | <u>5,904,276</u> |
| <u>\$ 681,481</u> | <u>\$ 3,768,028</u> | <u>\$ 860,621</u> | <u>\$ 446,984</u> | <u>\$ 2,882,318</u> | <u>\$ (5,666,054)</u> | <u>\$ 11,252,364</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Human Services, Inc. | | | | |
|---|----------------------|---------------------------|-------------------|------------------|----------------------------|
| | Parent | | HSI Properties | HSI Solutions | Oak Hill Apartments, LP |
| | Unrestricted | Temporarily restricted | | | |
| REVENUE AND SUPPORT | | | | | |
| Government grants | \$ 10,012,559 | \$ - | \$ - | \$ - | \$ - |
| Contributions | 186,499 | 191,535 | - | - | - |
| Rental income | 54,499 | - | 31,416 | - | 256,804 |
| Less: Vacancy loss | - | - | - | - | (9,548) |
| Rent concessions | - | - | - | - | - |
| Interest income | 75,985 | - | 3,405 | - | 113 |
| Earnings (loss) from subsidiary | 20,913 | - | (121) | - | - |
| Laundry and vending income | - | - | - | - | - |
| Miscellaneous tenant charges | - | - | - | - | 5,797 |
| In-kind donations | 360,379 | - | - | - | - |
| Other income | 155,100 | - | - | - | 2,731 |
| Total revenue and support | <u>10,865,934</u> | <u>191,535</u> | <u>34,700</u> | <u>-</u> | <u>255,897</u> |
| Net assets released from restrictions | <u>187,152</u> | <u>(187,152)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total unrestricted revenues, gains and other support | <u>11,053,086</u> | <u>4,383</u> | <u>34,700</u> | <u>-</u> | <u>255,897</u> |
| EXPENSES | | | | | |
| CSBG | 331,357 | - | - | - | - |
| Energy assistance | 1,774,533 | - | - | - | - |
| Weatherization | 110,670 | - | - | - | - |
| Head Start | 4,149,202 | - | - | - | - |
| USDA | 250,766 | - | - | - | - |
| Section 8 | 3,070,956 | - | - | - | - |
| WIC | 350,367 | - | - | - | - |
| ESG | 419,708 | - | - | - | - |
| Other programs | 277,669 | - | - | - | - |
| Management and general Subsidiaries | 573,606 | - | - | - | - |
| | - | - | 13,787 | - | 320,842 |
| Total operating expenses | <u>11,308,834</u> | <u>-</u> | <u>13,787</u> | <u>-</u> | <u>320,842</u> |
| Increase (decrease) in net assets | <u>(255,748)</u> | <u>4,383</u> | <u>20,913</u> | <u>-</u> | <u>(64,945)</u> |
| NET ASSETS AT BEGINNING OF YEAR | 3,206,025 | 72,247 | 435,913 | 2,446 | (144,452) |
| Transfer of interest non-controlling | - | - | - | - | - |
| Transfer of interest controlling | (223,492) | - | (223,492) | - | - |
| Non-controlling interest in subsidiary's earnings | - | - | - | - | (64,881) |
| Controlling interest in subsidiary's earnings | <u>(255,748)</u> | <u>4,383</u> | <u>20,913</u> | <u>-</u> | <u>(64)</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 2,726,785</u> | <u>\$ 76,630</u> | <u>\$ 233,334</u> | <u>\$ 2,446</u> | <u>\$ (209,397)</u> |

See independent auditor's report on supplementary information.

| <u>Oak Hill Apartments II, LP</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> |
|---------------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|---------------------|-------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,012,559 |
| - | - | - | - | - | - | 378,034 |
| 134,568 | 218,628 | 120,038 | - | - | - | 815,953 |
| (7,275) | (17,916) | (345) | - | - | - | (35,084) |
| (70) | (1,252) | - | - | - | - | (1,322) |
| 24 | 15 | 28 | - | - | (78,855) | 715 |
| - | - | - | - | - | (20,792) | - |
| 66 | 2,708 | - | - | - | - | 2,774 |
| 2,787 | 1,338 | 25 | - | - | - | 9,947 |
| - | - | - | - | - | - | 360,379 |
| 3,747 | 5,523 | 392 | - | - | - | 167,493 |
| <u>133,847</u> | <u>209,044</u> | <u>120,138</u> | <u>-</u> | <u>-</u> | <u>(99,647)</u> | <u>11,711,448</u> |
| - | - | - | - | - | - | - |
| <u>133,847</u> | <u>209,044</u> | <u>120,138</u> | <u>-</u> | <u>-</u> | <u>(99,647)</u> | <u>11,711,448</u> |
| - | - | - | - | - | - | 331,357 |
| - | - | - | - | - | - | 1,774,533 |
| - | - | - | - | - | - | 110,670 |
| - | - | - | - | - | - | 4,149,202 |
| - | - | - | - | - | - | 250,766 |
| - | - | - | - | - | - | 3,070,956 |
| - | - | - | - | - | - | 350,367 |
| - | - | - | - | - | - | 419,708 |
| - | - | - | - | - | - | 277,669 |
| - | - | - | - | - | - | 573,606 |
| 159,073 | 391,458 | 133,777 | - | - | (78,855) | 940,082 |
| <u>159,073</u> | <u>391,458</u> | <u>133,777</u> | <u>-</u> | <u>-</u> | <u>(78,855)</u> | <u>12,248,916</u> |
| <u>(25,226)</u> | <u>(182,414)</u> | <u>(13,639)</u> | <u>-</u> | <u>-</u> | <u>(20,792)</u> | <u>(537,468)</u> |
| 81,966 | 1,358,226 | 135,365 | 446,984 | 1,481,223 | (1,171,667) | 5,904,276 |
| - | - | - | (223,492) | (1,296,348) | 223,492 | (1,296,348) |
| - | - | - | (223,492) | (184,875) | 670,476 | (184,875) |
| (25,201) | (182,396) | (13,625) | - | - | - | (286,103) |
| <u>(25)</u> | <u>(18)</u> | <u>(14)</u> | <u>-</u> | <u>-</u> | <u>(20,792)</u> | <u>(251,365)</u> |
| <u>\$ 56,740</u> | <u>\$ 1,175,812</u> | <u>\$ 121,726</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (298,491)</u> | <u>\$ 3,885,585</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Human Services, Inc. | | | | |
|--|----------------------|---------------------------|-------------------|------------------|----------------------------|
| | Parent | | HSI Properties | HSI Solutions | Oak Hill Apartments, LP |
| | Unrestricted | Temporarily Restricted | | | |
| REVENUE AND SUPPORT | | | | | |
| Government grants | \$ 9,919,445 | \$ - | \$ - | \$ - | \$ - |
| Contributions | 250,427 | 191,358 | - | - | - |
| Rental income | 57,164 | - | 31,416 | - | 243,239 |
| Less: Vacancy loss | - | - | - | - | (9,933) |
| Rent concessions | - | - | - | - | - |
| Interest income | 103,341 | - | 2,472 | - | 85 |
| Earnings (loss) from subsidiary | 15,301 | - | (118) | - | - |
| Laundry and vending income | - | - | - | - | 100 |
| Miscellaneous tenant charges | - | - | - | - | 2,162 |
| In-kind donations | 395,049 | - | - | - | - |
| Other income | 36,484 | - | - | - | 5,216 |
| | <u>10,777,211</u> | <u>191,358</u> | <u>33,770</u> | <u>-</u> | <u>240,869</u> |
| Total revenue and support | | | | | |
| Net assets released from restrictions | <u>198,190</u> | <u>(198,190)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total unrestricted revenue, gains and other support | <u>10,975,401</u> | <u>(6,832)</u> | <u>33,770</u> | <u>-</u> | <u>240,869</u> |
| EXPENSES | | | | | |
| CSBG | 429,827 | - | - | - | - |
| Energy assistance | 2,038,542 | - | - | - | - |
| Weatherization | 540,727 | - | - | - | - |
| Head Start | 3,982,303 | - | - | - | - |
| USDA | 239,836 | - | - | - | - |
| Section 8 | 2,512,903 | - | - | - | - |
| WIC | 329,210 | - | - | - | - |
| ESG | 267,328 | - | - | - | - |
| Other programs | 461,371 | - | - | - | - |
| Management and general Subsidiaries | 177,083 | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>18,469</u> | <u>-</u> | <u>288,075</u> |
| Total operating expenses | <u>10,979,130</u> | <u>-</u> | <u>18,469</u> | <u>-</u> | <u>288,075</u> |
| Increase (decrease) in net assets | <u>(3,729)</u> | <u>(6,832)</u> | <u>15,301</u> | <u>-</u> | <u>(47,206)</u> |
| NET ASSETS AT BEGINNING OF YEAR | 3,209,754 | 79,079 | 420,612 | 2,446 | (97,246) |
| Non-controlling interest in subsidiary's earnings | - | - | - | - | (47,159) |
| Controlling interest in subsidiary's earnings | <u>(3,729)</u> | <u>(6,832)</u> | <u>15,301</u> | <u>-</u> | <u>(47)</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 3,206,025</u> | <u>\$ 72,247</u> | <u>\$ 435,913</u> | <u>\$ 2,446</u> | <u>\$ (144,452)</u> |

See independent auditor's report on supplementary information.

| Oak Hill Apartments II, LP | Pearson Place, LP | Ridgecrest Limited, LP | Jerman Housing, LLC | Jerman Housing, LP | Eliminations | Consolidated Total |
|-------------------------------|----------------------|---------------------------|------------------------|-----------------------|----------------|-----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,919,445 |
| - | - | - | - | - | - | 441,785 |
| 132,501 | 194,761 | 118,943 | - | 162,609 | - | 940,633 |
| (7,552) | (8,957) | (2,475) | - | - | - | (28,917) |
| (80) | (1,025) | (744) | - | - | - | (1,849) |
| 23 | 15 | 23 | - | 9 | (101,025) | 4,943 |
| - | - | - | (12) | - | (15,171) | - |
| - | 3,068 | - | - | - | - | 3,168 |
| 3,240 | 5,309 | 1,221 | - | 2,238 | - | 14,170 |
| - | - | - | - | - | - | 395,049 |
| - | 13,615 | 300 | - | 1,204 | - | 56,819 |
| 128,132 | 206,786 | 117,268 | (12) | 166,060 | (116,196) | 11,745,246 |
| - | - | - | - | - | - | - |
| 128,132 | 206,786 | 117,268 | (12) | 166,060 | (116,196) | 11,745,246 |
| - | - | - | - | - | - | 429,827 |
| - | - | - | - | - | - | 2,038,542 |
| - | - | - | - | - | - | 540,727 |
| - | - | - | - | - | - | 3,982,303 |
| - | - | - | - | - | - | 239,836 |
| - | - | - | - | - | - | 2,512,903 |
| - | - | - | - | - | - | 329,210 |
| - | - | - | - | - | - | 267,328 |
| - | - | - | - | - | - | 461,371 |
| - | - | - | - | - | - | 177,083 |
| 151,820 | 387,218 | 140,535 | - | 289,703 | (101,025) | 1,174,795 |
| 151,820 | 387,218 | 140,535 | - | 289,703 | (101,025) | 12,153,925 |
| (23,688) | (180,432) | (23,267) | (12) | (123,643) | (15,171) | (408,679) |
| 105,654 | 1,538,658 | 158,632 | 446,996 | 1,604,866 | (1,156,496) | 6,312,955 |
| (23,664) | (180,414) | (23,244) | (6) | (123,631) | - | (398,118) |
| (24) | (18) | (23) | (6) | (12) | (15,171) | (10,561) |
| \$ 81,966 | \$ 1,358,226 | \$ 135,365 | \$ 446,984 | \$ 1,481,223 | \$ (1,171,667) | \$ 5,904,276 |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Human Services, Inc.</u> | | | <u>Oak Hill Apartments, LP</u> |
|--|-----------------------------|---------------------------|--------------------------|------------------------------------|
| | <u>Parent</u> | <u>HSI Properties</u> | <u>HSI Solutions</u> | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Increase (decrease) in net assets | \$ (251,365) | \$ 20,913 | \$ - | \$ (64,945) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 114,021 | - | - | 77,827 |
| Amortization | - | - | - | 407 |
| (Gain) loss on sale of asset | (93,082) | - | - | - |
| Earnings from subsidiary | (20,913) | 121 | - | - |
| Increase (decrease) in cash from changes in: | | | | |
| Grants receivable | 131,531 | - | - | - |
| Accounts receivable | - | - | - | (1,301) |
| Mortgage escrow | - | - | - | 16,163 |
| Security deposits | - | - | - | (384) |
| Operating reserve | - | - | - | (38) |
| Notes receivable | 999,601 | (3,405) | - | - |
| Prepaid expenses | 129 | - | - | - |
| Accounts payable | (15,381) | - | - | (1,598) |
| Accounts payable - related parties | - | - | - | (599) |
| Accrued interest payable | - | - | - | 9,680 |
| Security deposits payable | - | - | - | 384 |
| Accrued real estate taxes | - | - | - | (256) |
| Accrued taxes | 43,880 | - | - | - |
| Prepaid rent | - | - | - | (818) |
| Advances payable | 2,739 | - | - | - |
| Net cash provided by (used in) operating activities | <u>911,160</u> | <u>17,629</u> | <u>-</u> | <u>34,522</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Deposits to replacement reserves | - | - | - | (7,234) |
| Withdrawals from replacement reserves | - | - | - | - |
| Investment purchases | 36 | - | - | - |
| Acquisition of property and equipment, net | (113,872) | - | - | - |
| Proceeds from sale of property | 100,860 | - | - | - |
| Net cash provided by (used in) investing activities | <u>(12,976)</u> | <u>-</u> | <u>-</u> | <u>(7,234)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds (payments) from lines of credit | (50,000) | - | - | - |
| Increase (decrease) in developer fee payable | - | - | - | - |
| Repayment of term loans | (682,654) | - | - | (34,877) |
| Net cash provided by (used in) financing activities | <u>(732,654)</u> | <u>-</u> | <u>-</u> | <u>(34,877)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>165,530</u> | <u>17,629</u> | <u>-</u> | <u>(7,589)</u> |
| CASH, BEGINNING OF YEAR | <u>115,635</u> | <u>89,802</u> | <u>2,446</u> | <u>15,063</u> |
| CASH, END OF YEAR | <u>\$ 281,165</u> | <u>\$ 107,431</u> | <u>\$ 2,446</u> | <u>\$ 7,474</u> |
| SUPPLEMENTAL DISCLOSURES: | | | | |
| Cash paid for: | | | | |
| Interest | <u>\$ 696</u> | <u>\$ 107,431</u> | <u>\$ 2,446</u> | <u>\$ 12,683</u> |

See independent auditor's report on supplementary information.

| <u>Oak Hill Apartments II, LP</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>Total Consolidated</u> |
|---------------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|---------------------|-------------------------------|
| \$ (25,226) | \$ (182,414) | \$ (13,639) | \$ - | \$ - | \$ (20,792) | \$ (537,468) |
| 41,358 | 128,538 | 31,853 | - | - | - | 393,597 |
| 409 | 400 | - | - | - | - | 1,216 |
| - | - | - | - | 329,187 | - | 236,105 |
| - | - | - | - | - | 20,792 | - |
| - | - | - | - | - | - | 131,531 |
| (1,084) | 920 | (825) | - | 58 | - | (2,232) |
| 7,796 | 7,996 | - | - | - | - | 31,955 |
| (300) | 1,250 | 1 | - | - | - | 567 |
| (2) | - | (10,755) | - | 63,300 | - | 52,505 |
| - | - | - | - | - | (303,856) | 692,340 |
| (419) | 2,245 | 541 | - | - | - | 2,496 |
| (986) | 6,269 | (1,008) | - | (44,160) | - | (56,864) |
| (301) | 1,424 | (1,821) | - | - | - | (1,297) |
| 7,065 | 55,955 | 14,697 | - | (387,586) | 303,856 | 3,667 |
| 350 | (1,250) | - | - | (11,625) | - | (12,141) |
| 243 | 193 | (255) | - | (7,800) | - | (7,875) |
| - | - | - | - | - | - | 43,880 |
| (694) | 647 | (67) | - | - | - | (932) |
| - | - | - | - | (2) | - | 2,737 |
| <u>28,209</u> | <u>22,173</u> | <u>18,722</u> | <u>-</u> | <u>(58,628)</u> | <u>-</u> | <u>973,787</u> |
| (4,816) | - | (3,615) | - | 31,395 | - | 15,730 |
| - | (6,608) | - | - | - | - | (6,608) |
| - | - | - | - | - | - | 36 |
| - | - | - | - | - | - | (113,872) |
| - | - | - | - | - | - | 100,860 |
| <u>(4,816)</u> | <u>(6,608)</u> | <u>(3,615)</u> | <u>-</u> | <u>31,395</u> | <u>-</u> | <u>(3,854)</u> |
| - | - | - | - | - | - | (50,000) |
| - | - | - | - | - | - | - |
| <u>(22,654)</u> | <u>(12,825)</u> | <u>(8,685)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(761,695)</u> |
| <u>(22,654)</u> | <u>(12,825)</u> | <u>(8,685)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(811,695)</u> |
| 739 | 2,740 | 6,422 | - | (27,233) | - | 158,238 |
| 5,766 | 1,438 | 9,801 | - | 27,233 | - | 267,184 |
| <u>\$ 6,505</u> | <u>\$ 4,178</u> | <u>\$ 16,223</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 425,422</u> |
| <u>\$ 8,097</u> | <u>\$ 44,706</u> | <u>\$ 14,782</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 190,841</u> |

HUMAN SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Human Services, Inc.</u> | | | <u>Oak Hill Apartments, LP</u> |
|--|-----------------------------|---------------------------|--------------------------|------------------------------------|
| | <u>Parent</u> | <u>HSI Properties</u> | <u>HSI Solutions</u> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (decrease) in net assets | \$ (10,561) | \$ 15,301 | \$ - | \$ (47,206) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 101,424 | - | - | 77,828 |
| Amortization | - | - | - | - |
| (Gain) loss on sale of asset | 1,671 | - | - | - |
| Earnings from subsidiaries | (15,301) | 118 | - | - |
| Increase (decrease) in cash from changes in: | | | | |
| Grants receivable | 121,737 | - | - | - |
| Accounts receivable | - | - | - | 2,646 |
| Mortgage escrow | - | - | - | 5,173 |
| Security deposits | - | - | - | (1,296) |
| Operating reserve | - | - | - | (20) |
| Notes receivable | (75,183) | (2,472) | - | - |
| Prepaid expenses | (2,030) | - | - | - |
| Accounts payable | (85,062) | - | - | (807) |
| Accounts payable - related parties | - | - | - | 2,000 |
| Accrued interest payable | - | - | - | 8,592 |
| Security deposits payable | - | - | - | 1,296 |
| Accrued real estate taxes | - | - | - | 2,500 |
| Accrued taxes | (17,187) | - | - | - |
| Prepaid rent | - | - | - | (75) |
| Advances payable | (15,538) | - | - | - |
| Net cash provided by (used in) operating activities | <u>3,970</u> | <u>12,947</u> | <u>-</u> | <u>50,631</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Deposits to replacement reserves | - | - | - | (7,232) |
| Withdrawals from replacement reserves | - | - | - | - |
| Investment purchases | (36) | - | - | - |
| Acquisition of property and equipment, net | (44,273) | - | - | - |
| Net cash provided by (used in) investing activities | <u>(44,309)</u> | <u>-</u> | <u>-</u> | <u>(7,232)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from lines of credit | 50,000 | - | - | - |
| Repayment of term loans | (21,604) | - | - | (32,854) |
| Net cash provided by (used in) financing activities | <u>28,396</u> | <u>-</u> | <u>-</u> | <u>(32,854)</u> |
| NET INCREASE (DECREASE) IN CASH | <u>(11,943)</u> | <u>12,947</u> | <u>-</u> | <u>10,545</u> |
| CASH, BEGINNING OF YEAR | <u>127,578</u> | <u>76,855</u> | <u>2,446</u> | <u>4,518</u> |
| CASH, END OF YEAR | <u>\$ 115,635</u> | <u>\$ 89,802</u> | <u>\$ 2,446</u> | <u>\$ 15,063</u> |
| SUPPLEMENTAL DISCLOSURES | | | | |
| Cash paid for: | | | | |
| Interest | <u>\$ 41</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,762</u> |

See independent auditor's report on supplementary information.

| <u>Oak Hill Apartments II, LP</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>Total Consolidated</u> |
|---------------------------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------------|---------------------|-------------------------------|
| \$ (23,688) | \$ (180,432) | \$ (23,267) | \$ (12) | \$ (123,643) | \$ (15,171) | \$ (408,679) |
| 41,358 | 128,538 | 31,852 | - | 108,129 | - | 489,129 |
| - | 400 | - | - | - | - | 400 |
| - | - | - | - | - | - | 1,671 |
| - | - | - | 12 | - | 15,171 | - |
| - | - | - | - | - | - | 121,737 |
| 2,281 | - | - | - | (58) | - | 4,869 |
| (1,305) | (9,876) | - | - | - | - | (6,008) |
| 300 | (1,175) | (51) | - | 11,163 | - | 8,941 |
| (1) | - | (11,307) | - | (8) | - | (11,336) |
| - | - | - | - | - | 105,900 | 28,245 |
| - | - | - | - | - | - | (2,030) |
| 240 | (2,610) | 1,108 | - | 39,634 | - | (47,497) |
| 1,000 | 3,914 | 2,500 | - | (61,165) | - | (51,751) |
| 5,986 | 49,867 | 12,072 | - | 29,250 | (105,900) | (133) |
| (350) | 1,275 | 50 | - | 462 | - | 2,733 |
| - | (2,423) | - | - | - | - | 77 |
| - | - | - | - | - | - | (17,187) |
| 104 | (565) | 52 | - | - | - | (484) |
| - | - | - | - | 2 | - | (15,536) |
| <u>25,925</u> | <u>(13,087)</u> | <u>13,009</u> | <u>-</u> | <u>3,766</u> | <u>-</u> | <u>97,161</u> |
| (4,815) | 32,882 | (3,613) | - | (1) | - | 17,221 |
| - | (11,295) | - | - | - | - | (11,295) |
| - | - | - | - | - | - | (36) |
| - | - | - | - | - | - | (44,273) |
| <u>(4,815)</u> | <u>21,587</u> | <u>(3,613)</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>(38,383)</u> |
| - | - | - | - | - | - | 50,000 |
| (21,195) | (12,712) | (5,032) | - | (7,288) | - | (100,685) |
| <u>(21,195)</u> | <u>(12,712)</u> | <u>(5,032)</u> | <u>-</u> | <u>(7,288)</u> | <u>-</u> | <u>(100,685)</u> |
| (85) | (4,212) | 4,364 | - | (3,523) | - | 8,093 |
| 5,851 | 5,650 | 5,437 | - | 30,756 | - | 259,091 |
| <u>\$ 5,766</u> | <u>\$ 1,438</u> | <u>\$ 9,801</u> | <u>\$ -</u> | <u>\$ 27,233</u> | <u>\$ -</u> | <u>\$ 267,184</u> |
| <u>\$ 10,100</u> | <u>\$ 46,503</u> | <u>\$ 23,234</u> | <u>\$ -</u> | <u>\$ 18,177</u> | <u>\$ -</u> | <u>\$ 113,817</u> |

SINGLE AUDIT SECTION

HUMAN SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| FEDERAL GRANTOR AGENCY Pass-through Agency Program Title | Federal CFDA Number | Grant or Identifying Number | Grant Award (in dollars \$) | Federal Expenditures |
|---|--|--|--|---------------------------------------|
| U.S. Department of Agriculture | | | | |
| Passed through the Indiana State Department of Education: | | | | |
| Child and Adult Care Food Program | 10.558 | 01-03-0014 | n/a | \$ 248,305 |
| Passed through the Indiana State Department of Health: | | | | |
| Women, Infants & Children | 10.557 | 17515989 | 362,202 | 263,735 |
| Women, Infants & Children | 10.557 | 17515989 | 20,040 | 8,256 |
| Women, Infants & Children | 10.557 | 182IN002W1003 | 349,167 | 75,413 |
| Women, Infants & Children | 10.557 | 182IN012W5003 | 19,259 | 2,217 |
| | | | | <u>349,621</u> |
| U.S. Department of Housing and Urban Development | | | | |
| Passed through the Indiana Housing and Community Development Authority: | | | | |
| Emergency Shelter Grants Programs | 14.231 | ESRRHP-016-008 | 166,354 | 92,653 |
| Emergency Shelter Grants Programs | 14.231 | ESRRHP-017-008 | 243,669 | 103,030 |
| Emergency Shelter Grants Programs | 14.231 | ES-016-029 | 60,000 | 35,035 |
| Emergency Shelter Grants Programs | 14.231 | ES-017-030 | 55,233 | 42,509 |
| Housing Choice Voucher Program | 14.871 | HCV-016-0XX | n/a | 3,070,957 |
| | | | | <u>3,344,184</u> |
| U.S. Department of Energy | | | | |
| Passed through the Indiana Housing and Community Development Authority: | | | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | WX-016-013 | 180,963 | 5,804 |
| | | | | <u>5,804</u> |
| U.S. Department of Homeland Security | | | | |
| Passed through United Way of Bartholomew County | | | | |
| Emergency Food and Shelter Program | 97.024 | LRO 262600-008 | 3,838 | 3,838 |
| Passed through United Way of Decatur County | | | | |
| Emergency Food and Shelter Program | 97.024 | LRO 262600-001 | 1,936 | 1,936 |
| | | | | <u>5,774</u> |
| U.S. Department of Health and Human Services | | | | |
| Direct Program: | | | | |
| Head Start/Early Head Start Program | 93.600 | 05CH010278 | 2,593,299 | 2,593,299 |
| Early Head Start Program | 93.600 | 05CH010278 | 1,079,926 | 1,079,926 |
| | | | | <u>3,673,225</u> |
| Passed through the Indiana Housing and Community Development Authority: | | | | |
| TANF Rapid Rehousing | 93.558 | TANFR-016-008 | 161,702 | 117,453 |
| Low-Income Home Energy Assistance | 93.568 | LI-017-013 | 2,045,917 | 1,513,764 |
| Low-Income Home Energy Assistance | 93.568 | LI-018-013 | 2,553,863 | 254,959 |
| Low-Income Home Energy Assistance | 93.568 | WL-017-013 | 151,999 | 127,664 |
| Community Services Block Grant | 93.569 | CS-017-013 | 394,495 | 331,358 |
| | | | | <u>2,345,198</u> |
| Passed through Indiana Housing and Community Development Authority | | | | |
| Point In Time | 93.569 | CS-17-012CSBG | 1,073 | 1,073 |
| | | | | <u>1,073</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, 2017

| FEDERAL GRANTOR AGENCY | Federal | Grant or | Grant | Federal |
|---|----------------|--------------------|------------------------|-----------------------------|
| Pass-through Agency | CFDA | Identifying | Award | Expenditures |
| Program Title | Number | Number | (in dollars \$) | |
| U.S. Department of Housing and Urban Development | | | | |
| Passed through the Indiana Finance Housing Authority: | | | | |
| IHFA Loan Funds - Ridgecrest Limited, L.P. | 14.239 | n/a | n/a | \$ 208,500 |
| HOME Loan Funds - Pearson Place, L.P. | 14.239 | n/a | n/a | 500,000 |
| | | | | <u>708,500</u> |
| Total Expenditures of Federal Awards | | | | <u><u>\$ 10,681,684</u></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, 2016

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 \$1,508,500 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, 2017.

Note 4 – Indirect Cost Rate

Human Services, Inc. has elected not to use the 10% indirect cost rate allowed under Uniform Guidance.

**HUMAN SERVICES, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2016.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2016.



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**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, 2017, 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 6, 2018.

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 6, 2018



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**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, 2017. 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, 2017.

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 6, 2018

**HUMAN SERVICES, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------|--|
| 93.600 | U.S. Dept. of Health and Human Services – Head Start |
| 10.557 | U.S. Dept. of Agriculture – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) |

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, 2017

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2017.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2017.