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October 20, 2021

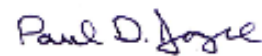
Board of Directors
Human Services, Inc.
P.O. Box 119
Clifford, IN 47226

We have reviewed the audit report of Human Services, Inc., which was opined upon by Wipfli, LLP, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Human Services, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 43. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 44.

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

The audit 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

Columbus, Indiana

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2019 and 2018

Human Services, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2019 and 2018

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Independent Auditor’s Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Human Services, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the subsidiaries of Human Services, Inc. were not audited in accordance with *Government Auditing Standards* as they did not receive federal funding.

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 consolidated financial statements.

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

Opinion

In our opinion, the 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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Prior Period Financial Statements

The consolidated financial statements of Human Services, Inc. and Subsidiaries as of December 31, 2018, were audited by other auditors whose report dated July 12, 2019, expressed an unmodified opinion on those consolidated statements. As discussed in Note 1 to the financial statements, certain reclassifications have been made to prior year amounts to conform with the current presentation. There was no impact on net assets or the changes in net assets. In our opinion, such reclassifications were appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Human Services, Inc. and Subsidiaries' 2018 consolidated financial statements other than with respect to the reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated financial statements as a whole.

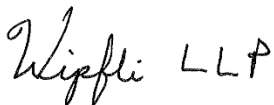
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Consolidating Statements of Financial Position, Consolidating Statements of Activities, Statements of Financial Position – Low-Income Housing Partnerships, and Statements of Activities – Low-Income Housing Partnerships are presented for the purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020, on our consideration of Human Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Human Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Services, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

September 22, 2020
Madison, Wisconsin

Human Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2019 and 2018

| <i>Assets</i> | 2019 | 2018 |
|-----------------------------|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 464,245 | \$ 460,794 |
| Accounts receivable | 6,770 | 3,366 |
| Grants receivable | 961,592 | 406,865 |
| Investments | 12,702 | 2,609 |
| Prepaid expenses | 34,769 | 32,293 |
| Total current assets | 1,480,078 | 905,927 |
| Other assets: | | |
| Restricted cash | 549,610 | 493,192 |
| Notes receivable | 4,718 | 7,635 |
| Total other assets | 554,328 | 500,827 |
| Property and equipment, net | 7,075,071 | 6,789,159 |
| TOTAL ASSETS | \$ 9,109,477 | \$ 8,195,913 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Financial Position (Continued)

December 31, 2019 and 2018

| <i>Liabilities and Net Assets</i> | 2019 | 2018 |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable | \$ 576,907 | \$ 256,988 |
| Accounts payable - related parties | 24,469 | 50,719 |
| Bank overdraft | 0 | 262 |
| Accrued payroll and related | 164,248 | 137,028 |
| Accrued interest payable | 6,109 | 7,061 |
| Accrued real estate taxes | 53,778 | 54,418 |
| Security deposits | 43,393 | 42,543 |
| Prepaid rent | 1,522 | 1,799 |
| Current portion of notes payable | 314,554 | 1,619,721 |
| Total current liabilities | 1,184,980 | 2,170,539 |
| Long-term liabilities: | | |
| Notes payable, net of debt issuance costs | 1,927,092 | 2,240,430 |
| Total long-term liabilities | 1,927,092 | 2,240,430 |
| Total liabilities | 3,112,072 | 4,410,969 |
| Net assets: | | |
| Without donor restrictions | 4,793,278 | 2,585,743 |
| Without donor restrictions attributable to non-controlling interest | 831,405 | 1,041,012 |
| Total without donor restrictions | 5,624,683 | 3,626,755 |
| With donor restrictions | 372,722 | 158,189 |
| Total net assets | 5,997,405 | 3,784,944 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 9,109,477 | \$ 8,195,913 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

| | 2019 | | Total |
|---------------------------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Revenue: | | | |
| Government grants | \$ 11,633,324 | \$ 18,499 | \$ 11,651,823 |
| Contributions | 584,516 | 198,575 | 783,091 |
| Rental income | 715,415 | 0 | 715,415 |
| Investment income | 928 | 0 | 928 |
| In-kind contributions | 393,948 | 0 | 393,948 |
| Forgiveness of debt | 1,525,864 | 0 | 1,525,864 |
| Other income | 37,051 | 0 | 37,051 |
| Net assets released from restrictions | 2,541 | (2,541) | 0 |
| Total revenue | 14,893,587 | 214,533 | 15,108,120 |
| Expenses: | | | |
| Program activities: | | | |
| Community services | 461,236 | 0 | 461,236 |
| Energy assistance | 1,547,679 | 0 | 1,547,679 |
| Early childhood education | 4,006,142 | 0 | 4,006,142 |
| Food programs | 299,505 | 0 | 299,505 |
| Housing programs | 5,486,272 | 0 | 5,486,272 |
| Health services | 317,881 | 0 | 317,881 |
| Other programs | 115,265 | 0 | 115,265 |
| Total program activities | 12,233,980 | 0 | 12,233,980 |
| Support services: | | | |
| Management and general | 661,679 | 0 | 661,679 |
| Total supportive services | 661,679 | 0 | 661,679 |
| Total expenses | 12,895,659 | 0 | 12,895,659 |
| Change in net assets | 1,997,928 | 214,533 | 2,212,461 |
| Net assets at beginning of year | 3,626,755 | 158,189 | 3,784,944 |
| Net assets at end of year | \$ 5,624,683 | \$ 372,722 | \$ 5,997,405 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Activities (Continued)

Years Ended December 31, 2019 and 2018

| | 2018 | | Total |
|---------------------------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Revenue: | | | |
| Government grants | \$ 12,850,818 | \$ 0 | \$ 12,850,818 |
| Contributions | 186,882 | 246,100 | 432,982 |
| Rental income | 750,364 | 0 | 750,364 |
| Investment income | 194 | 0 | 194 |
| In-kind contributions | 422,203 | 0 | 422,203 |
| Other income | 245,652 | 0 | 245,652 |
| Net assets released from restrictions | 164,541 | (164,541) | 0 |
| Total revenue | 14,620,654 | 81,559 | 14,702,213 |
| Expenses: | | | |
| Program activities: | | | |
| Community services | 405,709 | 0 | 405,709 |
| Energy assistance | 4,290,598 | 0 | 4,290,598 |
| Early childhood education | 3,889,906 | 0 | 3,889,906 |
| Food programs | 247,197 | 0 | 247,197 |
| Housing programs | 4,941,993 | 0 | 4,941,993 |
| Health services | 318,073 | 0 | 318,073 |
| Other programs | 196,017 | 0 | 196,017 |
| Total program activities | 14,289,493 | 0 | 14,289,493 |
| Support services: | | | |
| Management and general | 605,361 | 0 | 605,361 |
| Total supportive services | 605,361 | 0 | 605,361 |
| Total expenses | 14,894,854 | 0 | 14,894,854 |
| Change in net assets | (274,200) | 81,559 | (192,641) |
| Net assets at beginning of year | 3,808,955 | 76,630 | 3,885,585 |
| Capital contribution | 92,000 | 0 | 92,000 |
| Net assets at end of year | \$ 3,626,755 | \$ 158,189 | \$ 3,784,944 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

| | 2019 | | | | | | | | | |
|------------------------------------|--------------------|---------------------|---------------------------|-------------------|---------------------|-------------------|-------------------|------------------------|------------------------|----------------------|
| | Community Services | Energy Assistance | Early Childhood Education | Food Programs | Housing Programs | Health Services | Other Programs | Total Program Services | Management and General | Total Expenses |
| Salaries and wages | \$ 226,378 | \$ 186,885 | \$ 2,252,085 | \$ 42,636 | \$ 316,977 | \$ 204,227 | \$ 10,825 | \$ 3,240,013 | \$ 387,659 | \$ 3,627,672 |
| Payroll taxes | 19,015 | 16,076 | 192,011 | 3,928 | 26,639 | 17,464 | 975 | 276,108 | 33,264 | 309,372 |
| Employee benefits | 36,017 | 23,188 | 331,752 | 6,498 | 48,164 | 29,070 | 873 | 475,562 | 40,224 | 515,786 |
| Employee related expenses | 2,042 | 919 | 23,694 | 306 | 1,464 | 625 | 3,182 | 32,232 | 6,939 | 39,171 |
| Professional fees | 23,371 | 13,627 | 81,433 | 985 | 205,753 | 3,084 | 20,025 | 348,278 | 61,974 | 410,252 |
| Supplies | 5,624 | 13,447 | 358,063 | 215,114 | 15,787 | 11,026 | 3,492 | 622,553 | 21,348 | 643,901 |
| Communications | 6,730 | 6,175 | 39,765 | 1,357 | 11,215 | 7,422 | 24 | 72,688 | 7,330 | 80,018 |
| Shipping | 576 | 3,019 | 1,247 | 84 | 4,667 | 323 | 55 | 9,971 | 1,214 | 11,185 |
| Occupancy cost | 29,964 | 26,412 | 212,060 | 7,062 | 40,508 | 40,271 | 288 | 356,565 | 23,792 | 380,357 |
| Equipment rental and maintenance | 6,280 | 6,520 | 48,623 | 2,989 | 9,523 | 1,138 | 35 | 75,108 | 39,785 | 114,893 |
| Printing and publications | 1,477 | 1,993 | 2,609 | 35 | 694 | 93 | 3 | 6,904 | 6,834 | 13,738 |
| Travel and transportation | 7,934 | 2,694 | 88,911 | 1,133 | 9,223 | 1,582 | 262 | 111,739 | 1,614 | 113,353 |
| Conferences and meetings | 9,484 | 1,568 | 52,784 | 440 | 6,913 | 337 | 159 | 71,685 | 11,233 | 82,918 |
| Specific assistance to individuals | 106,707 | 1,253,376 | 88 | 16,262 | 4,007,668 | 0 | 2,443 | 5,386,544 | 0 | 5,386,544 |
| Membership dues | 291 | 227 | 2,648 | 103 | 221 | 144 | 2 | 3,636 | 4,368 | 8,004 |
| Property maintenance | 0 | 0 | 0 | 0 | 175,681 | 0 | 0 | 175,681 | 0 | 175,681 |
| Utilities | 0 | 0 | 0 | 0 | 73,368 | 0 | 0 | 73,368 | 0 | 73,368 |
| Interest expense | 0 | 0 | 0 | 0 | 182,539 | 0 | 0 | 182,539 | 0 | 182,539 |
| Insurance and other expenses | 1,446 | 3,370 | 22,277 | 610 | 221,616 | 1,223 | 4,738 | 255,280 | 14,101 | 269,381 |
| In-kind expenses | 0 | 0 | 334,661 | 0 | 59,287 | 0 | 0 | 393,948 | 0 | 393,948 |
| Depreciation | 0 | 0 | 0 | 0 | 282,160 | 0 | 79,951 | 362,111 | 0 | 362,111 |
| Forgiveness of debt | 0 | 0 | 0 | 0 | 1,262,907 | 0 | 0 | 1,262,907 | 0 | 1,262,907 |
| Eliminations | (22,100) | (11,817) | (38,569) | (37) | (1,476,702) | (148) | (12,067) | (1,561,440) | 0 | (1,561,440) |
| Total expenses | \$ 461,236 | \$ 1,547,679 | \$ 4,006,142 | \$ 299,505 | \$ 5,486,272 | \$ 317,881 | \$ 115,265 | \$ 12,233,980 | \$ 661,679 | \$ 12,895,659 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses (Continued)

Years Ended December 31, 2019 and 2018

| | 2018 | | | | | | | | | |
|------------------------------------|-----------------------|----------------------|---------------------------------|-------------------|---------------------|--------------------|-------------------|------------------------------|---------------------------|----------------------|
| | Community Services | Energy Assistance | Early Childhood Education | Food Programs | Housing Programs | Health Services | Other Programs | Total Program Services | Management and General | Total Expenses |
| Salaries and wages | \$ 222,958 | \$ 183,222 | \$ 2,124,894 | \$ 34,650 | \$ 248,975 | \$ 195,339 | \$ 32,137 | \$ 3,042,175 | \$ 366,851 | \$ 3,409,026 |
| Payroll taxes | 20,152 | 16,327 | 190,784 | 3,200 | 22,556 | 17,241 | 1,386 | 271,646 | 33,393 | 305,039 |
| Employee benefits | 30,682 | 27,959 | 334,310 | 6,572 | 45,456 | 28,663 | 3,386 | 477,028 | 37,869 | 514,897 |
| Employee related expenses | 1,029 | 192 | 3,856 | 0 | 340 | 403 | 0 | 5,820 | 1,305 | 7,125 |
| Professional fees | 10,430 | 17,907 | 83,747 | 647 | 207,239 | 6,813 | 6,372 | 333,155 | 67,720 | 400,875 |
| Supplies | 33,506 | 26,131 | 224,567 | 200,870 | 12,455 | 12,860 | 1,953 | 512,342 | 11,434 | 523,776 |
| Communications | 8,027 | 4,079 | 38,013 | 212 | 10,352 | 10,243 | 1,607 | 72,533 | 5,193 | 77,726 |
| Shipping | 638 | 5,840 | 1,536 | 76 | 4,498 | 754 | 103 | 13,445 | 412 | 13,857 |
| Occupancy cost | 37,627 | 18,587 | 273,542 | 133 | 43,792 | 40,177 | 8,006 | 421,864 | 11,890 | 433,754 |
| Equipment rental and maintenance | 5,540 | 6,159 | 48,381 | 196 | 9,419 | 2,493 | 3,648 | 75,836 | 20,696 | 96,532 |
| Printing and publications | 987 | 2,323 | 1,524 | 20 | 577 | 191 | 10 | 5,632 | 1,957 | 7,589 |
| Travel and transportation | 6,800 | 3,811 | 106,125 | 95 | 7,269 | 1,219 | 710 | 126,029 | 3,399 | 129,428 |
| Conferences and meetings | 7,183 | 939 | 60,946 | 222 | 1,962 | 322 | 257 | 71,831 | 18,242 | 90,073 |
| Specific assistance to individuals | 31,012 | 3,982,563 | 2,055 | 0 | 3,448,455 | 0 | 28,073 | 7,492,158 | 0 | 7,492,158 |
| Membership dues | 461 | 256 | 2,305 | 42 | 246 | 113 | 63 | 3,486 | 6,161 | 9,647 |
| Property maintenance | 0 | 0 | 0 | 0 | 322,286 | 0 | 0 | 322,286 | 0 | 322,286 |
| Utilities | 0 | 0 | 0 | 0 | 77,609 | 0 | 4 | 77,613 | 0 | 77,613 |
| Interest expense | 0 | 0 | 0 | 0 | 165,956 | 0 | 5,586 | 171,542 | 838 | 172,380 |
| Insurance and other expenses | 1,962 | 1,407 | 23,780 | 284 | 104,900 | 1,331 | 5,569 | 139,233 | 18,001 | 157,234 |
| In-kind expenses | 0 | 0 | 392,727 | 0 | 29,476 | 0 | 0 | 422,203 | 0 | 422,203 |
| Depreciation | 0 | 0 | 0 | 0 | 273,584 | 0 | 104,401 | 377,985 | 0 | 377,985 |
| Eliminations | (13,285) | (7,104) | (23,186) | (22) | (95,409) | (89) | (7,254) | (146,349) | 0 | (146,349) |
| Total expenses | \$ 405,709 | \$ 4,290,598 | \$ 3,889,906 | \$ 247,197 | \$ 4,941,993 | \$ 318,073 | \$ 196,017 | \$ 14,289,493 | \$ 605,361 | \$ 14,894,854 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|--------------|--------------|
| Increase (decrease) in cash and cash equivalents and restricted cash: | | |
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 2,212,461 | (\$ 192,641) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 362,111 | 377,985 |
| Amortized interest expense | 1,216 | 1,216 |
| Donated property and equipment | (400,024) | 0 |
| Donated investments | (10,093) | 0 |
| Forgiveness of debt | (1,525,864) | 0 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (3,404) | 8,527 |
| Grants receivable | (554,727) | (65,831) |
| Prepaid expenses | (2,476) | 1,711 |
| Accounts payable | 130,882 | 117,938 |
| Accounts payable - related parties | (26,250) | 10,802 |
| Accrued payroll and related | 27,220 | (37,049) |
| Accrued interest payable | (952) | (375) |
| Accrued real estate taxes | (640) | (128) |
| Security deposits | 850 | 915 |
| Prepaid rent | (277) | 934 |
| Bank overdraft | (262) | 262 |
| Advances payable | 0 | (6,370) |
| Net cash provided by operating activities | 209,771 | 217,896 |
| Cash flows from investing activities: | | |
| Capital expenditures | (58,962) | (325,000) |
| Collections on notes receivable | 2,917 | 3,360 |
| Net cash used in investing activities | (56,045) | (321,640) |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 0 | 260,000 |
| Payments on notes payable | (93,857) | (86,592) |
| Net cash (used in) provided by financing activities | (93,857) | 173,408 |
| Change in cash and cash equivalents and restricted cash | 59,869 | 69,664 |
| Cash and cash equivalents and restricted cash - Beginning of year | 953,986 | 884,322 |
| Cash and cash equivalents and restricted cash - End of year | \$ 1,013,855 | \$ 953,986 |
| Supplemental schedule of operating activities: | | |
| Interest paid | \$ 91,335 | \$ 190,841 |
| Supplemental schedule of noncash operating and investing activities: | | |
| Purchase of property and equipment included in accounts payable | \$ 189,037 | \$ 0 |
| Reconciliation of cash and cash equivalents and restricted cash to statement of financial position at December 31, 2019 and 2018 | | |
| Cash and cash equivalents | 464,245 | 460,794 |
| Restricted cash | 549,610 | 493,192 |
| Total cash and cash equivalents and restricted cash | 1,013,855 | 953,986 |

See accompanying notes to consolidated financial statements.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

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

HSI Solutions, Inc., is a wholly owned subsidiary of Human Services, Inc. and had no activity during the years ended December 31, 2019 and 2018.

Oak Hill Apartments, LP (Oak Hill) was formed in 1996 for the purpose of constructing 48 housing units in Seymour, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits were available to investors. As discussed above, the general partner is HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. The investor limited partner was House Investments - 1997 Tax Credits, LP. The special limited partner was House Investments Credit Associates, LLC. On December 31, 2019, the limited partners' interest in Oak Hill Apartments, LP was purchased by HSI Acquisitions-Oak Hill I, LLC, a wholly owned subsidiary of Human Services, Inc. that was formed in 2019.

Oak Hill Apartments II, LP (Oak Hill II) was formed in 1999 for the purpose of constructing 24 housing units in Seymour, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits were available to investors. As discussed above, the general partner is HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc. The investor limited partners were House Investments - Midwest Corporate Tax Credit Fund V, LP, House Investments - Irwin Union Tax Credit Fund, LP, and House Investments - Midwest Corporate Tax Credit Fund IV, LP. The special limited partner was House Investments Credit Associates II, LLC. On December 31, 2019, the limited partners' interest in Oak Hill Apartments II, LP was purchased by HSI Acquisitions-Oak Hill II, LLC, a wholly owned subsidiary of Human Services, Inc. that was formed in 2019.

Pearson Place, LP (Pearson Place) was formed in 2005 for the purpose of constructing 35 housing units in Shelbyville, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits were available to investors. 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. Pearson Place is consolidated in these financial statements since HSI Properties, Inc. has a controlling financial interest in Pearson Place.

Ridgecrest Limited, LP (Ridgecrest) constructed 20 housing units in Greensburg, Indiana. Nineteen of the units are rented to low-income individuals and, as a result federal income tax credits were available to investors. 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, LP and the special limited partner is House Investments Credit Associates, LLC. On December 31, 2019, the limited partners' interest in Ridgecrest Limited, LP was purchased by HSI Acquisitions-Ridgecrest, LLC, a wholly owned subsidiary of Human Services, Inc. that was formed in 2019.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Principles of Consolidation

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

Classification of Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated a total of \$16,335 and \$34,087 of net assets without donor restrictions as reserves for future repairs of Head Start locations and permanent supportive houses at December 31, 2019 and 2018.

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

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

Use of Estimates

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

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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

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

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

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

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

A. Grant Awards That Are Contributions

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

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Rental Income

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

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

In accordance with accounting standards, Human Services, Inc. records in-kind contributions for space, supplies and professional services in the consolidated statements of activities and functional expenses. The accounting standard for in-kind requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different from the in-kind requirements of several of Human Services, Inc.'s grant awards. Human Services, Inc. received contributions of nonprofessional volunteers and consultants with a value of \$951,805 and \$816,278 during 2019 and 2018, respectively, primarily for its Head Start program, which are not recorded in the consolidated statements of activities and functional expenses.

Cash and Cash Equivalents

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

Accounts and Grants Receivable

The Organizations analyze accounts and grants receivables and record an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration such factors as changes in the customer's creditworthiness, prior loss experience, and current economic conditions. An account is considered uncollectible when all collection efforts prove worthless. The Organizations consider accounts and grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded at December 31, 2019 or 2018.

Property and Equipment

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

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

Property and equipment purchased with grant funds are owned by Human Services, Inc. while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. The disposition of property and equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds is \$365,520 and \$159,728 at December 31, 2019 and 2018.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The Organizations review property and equipment periodically to determine potential impairment by comparing the carrying value of the property and equipment with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected cash flows be less than the carrying value, the Organizations would recognize an impairment loss at that time. No impairment loss was recognized in 2019 or 2018.

Debt Issuance Costs

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

Income Taxes

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

HSI Properties, Inc. and HSI Solutions, Inc. are taxable corporations that file returns for federal and state income tax purposes. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the assets and liabilities. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws that will be in effect in the years in which the temporary differences are expected to reverse. No material differences existed as of December 31, 2019 and 2018.

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

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

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

Functional Allocation

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

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Notes Receivable from Limited Partnerships

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

Recently Adopted Accounting Pronouncements

During 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, to provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The accounting guidance is effective for fiscal years beginning after December 15, 2018. The guidance is to be applied using a retrospective transition method to the period presented. The Organizations believe the new accounting guidance improves the information provided in the consolidated financial statements and related disclosures for the primary users of the consolidated financial statements. The beginning balances of cash, cash equivalents and restricted cash on the consolidated statements of cash flows have been restated to include restricted cash of \$493,192 as of January 1, 2019 and \$458,900 as of January 1, 2018.

On June 21, 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The Organizations have applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 *Revenue From Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 was originally effective for nonpublic entities for annual periods beginning after December 15, 2018. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Organizations, to annual periods beginning after December 15, 2019.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Organizations, to annual periods beginning after December 15, 2021.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current presentation. There was no impact on net assets or the changes in net assets.

Note 2: Liquidity and Availability

The following reflects Human Services, Inc. and Subsidiaries' financial assets of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Amounts not available also include amounts set aside as reserves that could be drawn upon if the governing board approves that action. The calculation of available financial assets at December 31, 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|------------|------------|
| Cash and cash equivalents | \$ 464,245 | \$ 460,794 |
| Accounts receivable | 6,770 | 3,366 |
| Grants receivable | 961,592 | 406,865 |
| Investments | 12,702 | 2,609 |
| Total financial assets at December 31 | 1,445,309 | 873,634 |
| Less: Accounts payable and accrued liabilities | 771,133 | 451,796 |
| Less: Board designated reserves | 16,335 | 34,087 |
| Less: Net assets with donor restrictions included in financial assets | 372,722 | 158,189 |
| Total available financial assets | \$ 285,119 | \$ 229,562 |

The Organizations have no formal liquidity policy and Human Services, Inc. relies on available grant funding that is requested and received shortly thereafter to ensure it has cash available to meet its current obligations. In addition to the financial assets available, Human Services, Inc. has grant commitments for future expenses as described in Note 13 and has access to draw on a line of credit in the amount of \$125,000, with the full amount available at December 31, 2019 and 2018.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3: Concentration of Risk

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

Financial awards from federal, state and local governmental entities make up 77% and 87% of total revenue for the years ended December 31, 2019 and 2018, respectively. A substantial reduction in the level of this support may have an adverse effect on Human Services, Inc.'s programs and activities.

Note 4: Grants Receivable

Grants receivable at December 31, 2019 and 2018, consisted of the following:

| | 2019 | 2018 |
|-------------------------|-------------------|-------------------|
| State programs | \$ 298,662 | \$ 104,000 |
| Direct federal programs | 660,091 | 281,101 |
| Other programs | 2,839 | 21,764 |
| <u>Totals</u> | <u>\$ 961,592</u> | <u>\$ 406,865</u> |

Note 5: Investments and Fair Value Measurements

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

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

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

The asset measured at fair value on a recurring basis is the investment in corporate stock, measured using quoted market prices, which is a level 1 input. The value of the stock was \$12,702 at December 31, 2019 and \$2,609 at December 31, 2018.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6: Restricted Cash

The restricted cash balances at December 31, 2019 and 2018, consisted of the following:

| | 2019 | 2018 |
|----------------------|-------------------|-------------------|
| Security deposits | \$ 46,962 | \$ 50,216 |
| Replacement reserves | 280,677 | 265,013 |
| Operating reserves | 54,246 | 54,221 |
| Escrow deposits | 167,725 | 123,742 |
| Totals | \$ 549,610 | \$ 493,192 |

Note 7: Property and Equipment

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

| | 2019 | 2018 |
|------------------------------------|---------------------|---------------------|
| Land | \$ 165,400 | \$ 125,000 |
| Land - partnerships | 245,537 | 245,537 |
| Buildings | 2,146,681 | 1,796,981 |
| Building – partnerships | 9,431,395 | 9,431,395 |
| Building improvements | 203,877 | 203,877 |
| Leasehold improvements | 248,000 | 0 |
| Equipment | 882,475 | 872,552 |
| Equipment – partnerships | 255,572 | 255,572 |
| Site costs – partnerships | 814,261 | 814,261 |
| Subtotal | 14,393,198 | 13,745,175 |
| Accumulated depreciation | (7,318,127) | (6,956,016) |
| Property and equipment, net | \$ 7,075,071 | \$ 6,789,159 |

Human Services, Inc. received contributions of property and equipment valued at \$400,024 during the year ended December 31, 2019. The contributed property and equipment is included in contributions revenue in the consolidated statements of activities.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Notes Payable

The balance at December 31, consists of the following:

| | 2019 | 2018 |
|--|---------|------------|
| <u>Human Services, Inc.</u> | | |
| Note payable to the Federal Home Loan Bank Affordable Housing Program (AHP) dated May 7, 1999, with 1% interest rate. The note was forgiven in 2019. | \$ 0 | \$ 235,732 |
| Note payable to the Indiana Housing and Community Development Authority (IHCDA) Home Investment Partnership Program (HOME) program dated September 1, 1997, with 1% interest rate. The note was forgiven in 2019. | 0 | 490,132 |
| Note payable to the Federal Home Loan Bank AHP dated February 11, 2000, with 1% interest rate and annual interest payments from the available cash flow of the affiliated housing project. The note was forgiven in 2019. | 0 | 300,000 |
| Note payable to the Federal Home Loan Bank AHP dated December 1, 2005, with 1% interest rate and annual interest payments from the available cash flow of the affiliated housing project. The note matures December 31, 2035. | 500,000 | 500,000 |
| Note payable to the Indiana Housing and Community Development Authority (IHCDA) Home Investment Partnership Program (HOME) dated December 1, 2005, with 5% interest rate and annual principal and interest payments from the available cash flow of the affiliated housing project. The note was forgiven in 2019. | 0 | 500,000 |
| Note payable to the IHCDA HOME program dated December 1, 2005, with 5.79% interest rate and annual principal and interest payments from the available cash flow of the affiliated housing project. The note matured on June 22, 2019, and is in the process of being forgiven. | 208,500 | 208,500 |
| Note payable to the Indiana Housing and Community Development Authority for use in their Business Enterprise and Economic Development Program. The funds are to be loaned out to local businesses. Should the program become discontinued, the funds will need to be repaid or approval from IHCDA must be obtained to use funds for other uses. | 57,500 | 57,500 |
| <u>HSI Properties, Inc.</u> | | |
| Note payable to German American Bank dated August 3, 2018 with 5.16% interest rate and monthly payments of \$2,087, secured by real estate. Variable interest rate and payments beginning September 1, 2023. Final balloon payment due at maturity on August 1, 2033. | 244,170 | 255,151 |

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Notes Payable (Continued)

| | 2019 | 2018 |
|--|---------------------|---------------------|
| <u>Oak Hill</u> | | |
| Note payable to First Financial Bank dated January 30, 2014 with interest at a rate of the Treasury Rate plus 2.86% and a floor of 4.25% (4.41% and 5.52% at December 31, 2019 and 2018) and monthly payments of \$3,963. The note is secured by a first mortgage and security interest on the property, as well as an assignment of leases and rents associated with the property. The note matures February 1, 2024. | 179,890 | 218,147 |
| <u>Oak Hill II</u> | | |
| Note payable to First Financial Bank dated January 30, 2014 with interest at a rate of the Treasury Rate plus 2.86% and a floor of 4.25% (4.41% and 5.52% at December 31, 2019 and 2018) and monthly payments of \$2,563. The note is secured by a first mortgage and security interest on the property, as well as an assignment of leases and rents associated with the property. The note matures February 1, 2024. | 117,197 | 138,972 |
| <u>Pearson Place</u> | | |
| Note payable to First Financial Bank with 7.2% interest and monthly payments of \$4,115. The note is secured by a mortgage on real estate. The note matures December 7, 2022. | 492,875 | 505,768 |
| Note payable to Enterprise Housing Partners XVII Limited Partnership (Enterprise), payable in full on June 30, 2021. The note is secured by a guaranty made by Leo Stenz. | 62,794 | 62,794 |
| Note payable to Enterprise payable in full on June 30, 2021. The note is secured by a guaranty made by Leo Stenz. | 49,206 | 49,206 |
| Note payable to Enterprise with 7.2% interest and monthly payments of \$679. The note is unsecured and it matures December 31, 2021. | 85,394 | 87,214 |
| <u>Ridgecrest</u> | | |
| Note payable to Bayview Loan Servicing with 5.79% interest and monthly payments of \$1,956. The note is secured by a mortgage on real estate. The note matures February 1, 2037. | 248,589 | 256,720 |
| Subtotals | 2,246,115 | 3,865,836 |
| Unamortized debt issuance costs, net of accumulated amortization | (4,469) | (5,685) |
| Current maturities | (314,554) | (1,619,721) |
| <u>Long-term notes payable</u> | <u>\$ 1,927,092</u> | <u>\$ 2,240,430</u> |

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Notes Payable (Continued)

Future payments of notes payable are as follows:

| | |
|-------------------|---------------------|
| 2020 | \$ 314,554 |
| 2021 | 304,961 |
| 2022 | 553,308 |
| 2023 | 100,448 |
| 2024 | 39,133 |
| <u>Thereafter</u> | <u>933,711</u> |
| | |
| <u>Total</u> | <u>\$ 2,246,115</u> |

As described above, in prior years Human Services, Inc. received two notes payable from the Federal Home Loan Bank AHP and two notes payable from the IHCDA HOME program totaling \$1,525,864. These notes payable were forgiven during the year ended December 31, 2019 and are reported as forgiveness of debt income on the consolidated statements of activities.

Human Services, Inc. also has a \$125,000 line of credit at a financial institution. The line of credit matures in July 2021. The line of credit has an interest rate of the prime rate plus .25% (5.75% and 4.75% at December 31, 2019 and 2018) and is collateralized by the assets of the Organization. There was no outstanding amount drawn on the line of credit at December 31, 2019 and 2018.

Note 9: Net Assets With Donor Restrictions

At December 31, 2019 and 2018, Human Services, Inc. had net assets with donor restrictions of \$372,722 and \$158,189, respectively. These net assets include contributions that have been restricted by donors or grantors for specific program use. Net assets of \$2,541 and \$164,541 during the years ended December 31, 2019 and 2018, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes.

Note 10: Employee Retirement Plans

Human Services, Inc. had 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 Human Services, Inc. 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. Human Services, Inc. made no discretionary contributions to the Plan during the years ended December 31, 2019 and 2018. This plan was closed in 2019 and the 401(k) plan below was implemented.

In 2019, Human Services, Inc. began a 401(K) retirement plan that covers all employees who are at least 21 years old and have been employed for over one year. Human Services, Inc. may make discretionary matching contributions to the plan, which vest with the plan participant according to a vesting period schedule that is dependent on years of service. Employer contributions to the plan were \$18,354 and \$0 for the years ended December 31, 2019 and 2018, respectively.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11: Operating Lease Agreements

Human Services, Inc. leases various facilities and equipment for the operation of its programs. Lease expense for the years ended December 31, 2019 and 2018, was \$224,651 and \$221,441, respectively. The future minimum lease obligations for Human Services, Inc. are as follows:

| | | |
|--------------------------------|----|-------------------|
| 2020 | \$ | 177,833 |
| 2021 | | 131,358 |
| 2022 | | 107,371 |
| 2023 | | 104,595 |
| 2024 | | 102,895 |
| Thereafter | | 328,676 |
| <u>Total lease obligations</u> | | <u>\$ 952,728</u> |

Note 12: Rental Income

Rental income for the years ended December 31, 2019 and 2018 was \$715,415 and \$750,364, respectively, and is from annual leases at the affordable housing projects. HSI Properties, Inc. leases the property it owns to Human Services, Inc and Pearson Place leases space to Human Services, Inc. The revenues and expenses related to these leases were \$110,971 and \$58,525 for the years ended December 31, 2019 and 2018, respectively, and are eliminated in consolidation.

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

| | 2019 | 2018 |
|---------------------------|---------------------|---------------------|
| Land - partnerships | \$ 245,537 | \$ 245,537 |
| Buildings | 325,000 | 325,000 |
| Building – partnerships | 9,431,395 | 9,431,395 |
| Equipment – partnerships | 255,572 | 255,572 |
| Site costs – partnerships | 814,261 | 814,261 |
| Subtotal | 11,071,765 | 11,071,765 |
| Accumulated depreciation | (5,740,697) | (5,454,870) |
| <u>Totals</u> | <u>\$ 5,331,068</u> | <u>\$ 5,616,895</u> |

Note 13: Commitments and Contingencies

At December 31, 2019, Human Services, Inc. had commitments under various grants of approximately \$3,100,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

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

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13: Commitments and Contingencies (Continued)

Human Services, Inc. is listed as a co-borrower on an Oak Hill note payable to First financial Bank with an initial loan amount of \$245,676. The outstanding balances on the note at December 31, 2019 and 2018 were \$179,890 and \$218,147, respectively. Human Services, Inc. is also listed as a co-borrower on an Oak Hill II note payable to First Financial Bank with an initial loan amount of \$245,676. The outstanding balances on the note at December 31, 2019 and 2018 were \$117,197 and \$138,972, respectively. Payments by Oak Hill and Oak Hill II on the notes are current and Human Services, Inc. does not expect to have to make any payments as co-borrower.

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

If at any time after the completion date an operating deficit exists, HSI Properties, Inc. is required to contribute funds as a contribution of capital in an amount equal to Pearson Place's operating deficit. HSI Properties, Inc.'s obligation shall be unlimited through the stabilization date, as defined. HSI Properties, Inc.'s obligation to make operating deficit contributions after the stabilization date is limited to \$95,000. HSI Properties, Inc.'s obligation to make contributions shall terminate when Pearson Place has operated at break-even for at least three consecutive calendar years following the stabilization date and the balance in the operating reserve equals or exceeds \$45,000. The operating deficit contributions made by HSI Properties, Inc. after the stabilization date shall be repayable, without interest. A total of \$25,000 and \$25,000 had been advanced as of December 31, 2019 and 2018.

HSI Properties, Inc. and the owner of the general contractor for Pearson Place have executed a guaranty agreement under which they guarantee to purchase the interest of the limited partner.

Note 14: Acquisition of Partnership Interest

On December 31, 2019, HSI Acquisitions-Oak Hill I, LLC, HSI Acquisitions-Oak Hill II, LLC, and HSI Acquisitions-Ridgecrest, LLC acquired the 99.9% limited member interests in Oak Hill, Oak Hill II, and Ridgecrest, respectively. The three acquiring LLCs are wholly owned subsidiaries of Human Services, Inc. and HSI Properties, Inc., a wholly owned subsidiary of Human Services, Inc., remains as the general partner in these partnerships. Net assets attributable to noncontrolling interest totaling \$640,730 for Oak Hill, \$384,850 for Oak Hill II, and \$76,045 for Ridgecrest were acquired and are reported as net assets without donor restrictions at December 31, 2019 on the consolidating statements of financial position.

Human Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15: Subsequent Events

Subsequent Events

Subsequent events have been evaluated through September 22, 2020, which is the date the financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Crisis including financial markets, supply chains, businesses, and communities. Specific to Organization, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

On August 7, 2020, Human Services, Inc. entered into a promissory note agreement with a local financial institution in the amount of \$845,300. The loan was issued pursuant to the Paycheck Protection Program (the "PPP"), administered by the Small Business Administration, and bears interest at 1.00% with monthly payments of principal and interest in the amount of \$17,411 beginning July 7, 2021, and a final payment of all principal and accrued interest due August 7, 2025. All or a portion of the loan may be forgiven if Human Services, Inc. uses the proceeds of the loan for eligible payroll costs and other expenses in accordance with the PPP. The Organization believes the majority of the PPP funding received will be forgiven per the forgiveness provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Supplementary Information

Human Services, Inc.

Schedule A

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Grant Number | Federal Expenditures |
|---|----------------|-----------------|-------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed-Through Indiana State Department of Education | | | |
| Child and Adult Care Food Program | 10.558 | 01-03-0014 | \$ 71,093 |
| Child and Adult Care Food Program | 10.558 | 01-03-0014 | 192,265 |
| Subtotal 10.558 | | | 263,358 |
| Passed -through the Indiana State Department of Health | | | |
| Women, Infants & Children | 10.557 | 202IN002W5003 | 4,184 |
| Women, Infants & Children | 10.557 | 202IN012W1003 | 86,666 |
| Women, Infants & Children | 10.557 | 192IN002W5003 | 9,306 |
| Women, Infants & Children | 10.557 | 192IN002W1003 | 250,121 |
| Subtotal 10.557 | | | 350,277 |
| SUBTOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 613,635 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| Emergency Shelter Grants Program | 14.231 | ESRRHP-019-010 | 80,114 |
| Emergency Shelter Grants Program | 14.231 | ESRRHP-018-010 | 185,158 |
| Emergency Shelter Grants Program | 14.231 | ES-019-029 | 32,904 |
| Emergency Shelter Grants Program | 14.231 | ES-018-027 | 8,930 |
| Subtotal 14.231 | | | 307,106 |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| Tenant-Based Rental Assistance Award | 14.239 | TB-019-002 | 15,742 |
| Passed-Through the Indiana Finance Housing Authority | | | |
| HOME Loan Funds - Ridgecrest Limited, L.P. | 14.239 | N/A | 208,500 |
| HOME Loan Funds - Pearson Place, L.P. | 14.239 | N/A | 500,000 |
| Subtotal 14.239 | | | 724,242 |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| Housing Choice Voucher Cluster: | | | |
| Housing Choice Voucher Program | 14.871 | HCV-019-010 | 3,950,540 |
| SUBTOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | 4,981,888 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| TANF Cluster: | | | |
| TANF Rapid Rehousing | 93.558 | TANFR-019-005 | 78,344 |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| Low-Income Home Energy Assistance | 93.568 | LI-019-013 | 1,188,886 |
| Low-Income Home Energy Assistance | 93.568 | LI-019-013-R | 298,501 |
| Low-Income Home Energy Assistance | 93.568 | LI-020-013 | 193,281 |
| Subtotal 93.568 | | | 1,680,668 |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| Community Services Block Grant | 93.569 | CS-019-013 | 311,967 |
| Community Services Block Grant | 93.569 | CS-018-CO-013 | 80,151 |
| Point in Time | 93.569 | CS-19-012CSBG | 878 |
| Subtotal 93.569 | | | 392,996 |

See Independent Auditor's Report.

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

Human Services, Inc.

Schedule A

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended December 31, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Grant Number | Federal Expenditures |
|---|----------------|-----------------|-------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED) | | | |
| Direct Funding | | | |
| Head Start/Early Head Start Program | 93.600 | 05CH010278-04 | 3,241,640 |
| Early Head Start Program | 93.600 | 05CH010278-04 | 1,123,084 |
| Subtotal 93.600 | | | 4,364,724 |
| SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 6,516,732 |
| TOTAL FEDERAL EXPENDITURES | | | \$ 12,112,255 |
| STATE AWARDS | | | |
| Passed-Through the Indiana Housing and Community Development Authority | | | |
| Low-Income Home Energy Assistance | N/A | IR-019-013 | \$ 46,585 |
| Housing First Grant | N/A | HFP-2018-001 | 176,479 |
| TOTAL STATE EXPENDITURES | | | \$ 223,064 |

See Independent Auditor's Report.

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

Human Services, Inc.

Notes to the Schedule of Expenditures of Federal and State Awards

December 31, 2019

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal and state grant activity of Human Services, Inc. under programs of the federal and state governments for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Human Services, Inc., it is not intended to and does not present the financial position, or the changes in net assets or cash flows of Human Services, Inc.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Allocation

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

Note 4 - Subrecipients

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

Note 5 - Energy Assistance Payments

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$1,198,998 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of Human Services, Inc. during the year ended December 31, 2019.

Note 6 - Balance of Outstanding Loans

The loan programs listed subsequently are administered directly by Human Services, Inc., and balances and transactions relating to these programs are included in Human Services, Inc.'s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at December 31, 2019, consists of:

| <u>Program Name</u> | <u>CFDA Number</u> | <u>Outstanding Balance at December 31, 2019</u> |
|--|------------------------|---|
| HOME Loan Funds - Ridgecrest Limited, L.P. | 14.239 | \$ 208,500 |
| HOME Loan Funds - Pearson Place, L.P. | 14.239 | 0 |

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position

December 31, 2019

| <i>Assets</i> | Human Services, Inc. * | HSI Properties, Inc. | HSI Solutions, Inc. |
|---|------------------------------|----------------------------|---------------------------|
| Current assets: | | | |
| Cash | \$ 309,570 | \$ 109,830 | \$ 2,446 |
| Accounts receivable | 11,650 | 120,297 | 0 |
| Grants receivable | 961,592 | 0 | 0 |
| Investments | 12,702 | 0 | 0 |
| Interest receivable | 941,172 | 27,707 | 0 |
| Prepaid expenses | 39,338 | 0 | 0 |
| Total current assets | 2,276,024 | 257,834 | 2,446 |
| Other assets: | | | |
| Investments - subsidiaries | 1,423,652 | (235) | 0 |
| Restricted cash | 0 | 0 | 0 |
| Notes receivable | 1,213,318 | 20,389 | 0 |
| Total other assets | 2,636,970 | 20,154 | 0 |
| Property and equipment, net | 1,743,784 | 313,219 | 0 |
| TOTAL ASSETS | \$ 6,656,778 | \$ 591,207 | \$ 2,446 |
| <i>Liabilities and Net Assets</i> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 560,530 | \$ 13,558 | \$ 0 |
| Accounts payable - related parties | 0 | 0 | 0 |
| Accrued payroll and related | 164,248 | 0 | 0 |
| Accrued interest payable | 0 | 0 | 0 |
| Accrued real estate taxes | 0 | 0 | 0 |
| Security deposits | 0 | 15,000 | 0 |
| Prepaid rent | 0 | 0 | 0 |
| Current portion of notes payable | 208,500 | 12,756 | 0 |
| Total current liabilities | 933,278 | 41,314 | 0 |
| Long-term liabilities: | | | |
| Notes payable, net of debt issuance costs | 557,500 | 231,414 | 0 |
| Total long-term liabilities | 557,500 | 231,414 | 0 |
| Total liabilities | 1,490,778 | 272,728 | 0 |
| Net assets: | | | |
| Without donor restrictions | 4,793,278 | 318,479 | 2,446 |
| Without donor restrictions attributable to non-controlling interest | 0 | 0 | 0 |
| Total without donor restrictions | 4,793,278 | 318,479 | 2,446 |
| With donor restrictions | 372,722 | 0 | 0 |
| Total net assets | 5,166,000 | 318,479 | 2,446 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,656,778 | \$ 591,207 | \$ 2,446 |

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

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

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position (Continued)

December 31, 2019

| <i>Assets</i> | Low-Income Housing Partnerships ** | Subtotal | Eliminations | Consolidated |
|--|---|----------------------|-----------------------|---------------------|
| Current assets: | | | | |
| Cash | \$ 42,399 | \$ 464,245 | \$ 0 | \$ 464,245 |
| Accounts receivable | 31,511 | 163,458 | (156,688) | 6,770 |
| Grants receivable | 0 | 961,592 | 0 | 961,592 |
| Investments | 0 | 12,702 | 0 | 12,702 |
| Interest receivable | 0 | 968,879 | (968,879) | 0 |
| Prepaid expenses | 10,431 | 49,769 | (15,000) | 34,769 |
| Total current assets | 84,341 | 2,620,645 | (1,140,567) | 1,480,078 |
| Other assets: | | | | |
| Investments - subsidiaries | 0 | 1,423,417 | (1,423,417) | 0 |
| Restricted cash | 549,610 | 549,610 | 0 | 549,610 |
| Notes receivable | 0 | 1,233,707 | (1,228,989) | 4,718 |
| Total other assets | 549,610 | 3,206,734 | (2,652,406) | 554,328 |
| Property and equipment, net | 5,018,068 | 7,075,071 | 0 | 7,075,071 |
| TOTAL ASSETS | \$ 5,652,019 | \$ 12,902,450 | (\$ 3,792,973) | \$ 9,109,477 |
| <i>Liabilities and Net Assets</i> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 42,507 | \$ 616,595 | (\$ 39,688) | \$ 576,907 |
| Accounts payable - related parties | 141,469 | 141,469 | (117,000) | 24,469 |
| Accrued payroll and related | 0 | 164,248 | 0 | 164,248 |
| Accrued interest payable | 974,988 | 974,988 | (968,879) | 6,109 |
| Accrued real estate taxes | 53,778 | 53,778 | 0 | 53,778 |
| Security deposits | 43,393 | 58,393 | (15,000) | 43,393 |
| Prepaid rent | 1,522 | 1,522 | 0 | 1,522 |
| Current portion of notes payable | 93,298 | 314,554 | 0 | 314,554 |
| Total current liabilities | 1,350,955 | 2,325,547 | (1,140,567) | 1,184,980 |
| Long-term liabilities: | | | | |
| Notes payable, net of debt issuance costs | 2,367,167 | 3,156,081 | (1,228,989) | 1,927,092 |
| Total long-term liabilities | 2,367,167 | 3,156,081 | (1,228,989) | 1,927,092 |
| Total liabilities | 3,718,122 | 5,481,628 | (2,369,556) | 3,112,072 |
| Net assets: | | | | |
| Without donor restrictions | 1,102,492 | 6,216,695 | (1,423,417) | 4,793,278 |
| Without donor restrictions attributable to non-controlling interes | 831,405 | 831,405 | 0 | 831,405 |
| Total without donor restrictions | 1,933,897 | 7,048,100 | (1,423,417) | 5,624,683 |
| With donor restrictions | 0 | 372,722 | 0 | 372,722 |
| Total net assets | 1,933,897 | 7,420,822 | (1,423,417) | 5,997,405 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,652,019 | \$ 12,902,450 | (\$ 3,792,973) | \$ 9,109,477 |

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

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

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position

December 31, 2018

| <i>Assets</i> | Human Services, Inc. | HSI Properties, Inc. | HSI Solutions, Inc. |
|---|-------------------------------------|-------------------------------------|------------------------------------|
| Current assets: | | | |
| Cash | \$ 338,527 | \$ 75,728 | \$ 2,446 |
| Accounts receivable | 0 | 0 | 0 |
| Grants receivable | 406,865 | 0 | 0 |
| Investments | 2,609 | 0 | 0 |
| Notes receivable - current portion | 934,364 | 45,489 | 0 |
| Interest receivable | 1,100,760 | 23,999 | 0 |
| Prepaid expenses | 38,097 | 0 | 0 |
| Total current assets | 2,821,222 | 145,216 | 2,446 |
| Other assets: | | | |
| Investments - subsidiaries | 353,629 | 154,565 | 0 |
| Restricted cash | 0 | 0 | 0 |
| Notes receivable - net of current portion | 1,307,635 | 0 | 0 |
| Total other assets | 1,661,264 | 154,565 | 0 |
| Property and equipment, net | 1,175,711 | 321,553 | 0 |
| TOTAL ASSETS | \$ 5,658,197 | \$ 621,334 | \$ 2,446 |
| <i>Liabilities and Net Assets</i> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 261,881 | \$ 0 | \$ 0 |
| Accounts payable - related parties | 0 | 0 | 0 |
| Bank overdraft | 0 | 0 | 0 |
| Accrued payroll and related | 137,028 | 0 | 0 |
| Accrued interest payable | 0 | 0 | 0 |
| Accrued real estate taxes | 0 | 0 | 0 |
| Security deposits | 0 | 15,000 | 0 |
| Prepaid rent | 0 | 0 | 0 |
| Current portion of notes payable | 1,525,864 | 11,128 | 0 |
| Total current liabilities | 1,924,773 | 26,128 | 0 |
| Long-term liabilities: | | | |
| Notes payable, net of debt issuance costs | 766,000 | 244,023 | 0 |
| Total long-term liabilities | 766,000 | 244,023 | 0 |
| Total liabilities | 2,690,773 | 270,151 | 0 |
| Net assets: | | | |
| Without donor restrictions | 2,809,235 | 351,183 | 2,446 |
| Without donor restrictions attributable to non-controlling interest | 0 | 0 | 0 |
| Total without donor restrictions | 2,809,235 | 351,183 | 2,446 |
| With donor restrictions | 158,189 | 0 | 0 |
| Total net assets | 2,967,424 | 351,183 | 2,446 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,658,197 | \$ 621,334 | \$ 2,446 |

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

Human Services, Inc. and Subsidiaries

Schedule B

Consolidating Statement of Financial Position (Continued)

December 31, 2018

| <i>Assets</i> | Low-Income Housing Partnerships * | Subtotal | Eliminations | Consolidated |
|--|--|----------------------|-----------------------|---------------------|
| Current assets: | | | | |
| Cash | \$ 44,093 | \$ 460,794 | \$ 0 | \$ 460,794 |
| Accounts receivable | 31,576 | 31,576 | (28,210) | 3,366 |
| Grants receivable | 0 | 406,865 | 0 | 406,865 |
| Investments | 0 | 2,609 | 0 | 2,609 |
| Notes receivable - current portion | 0 | 979,853 | (979,853) | 0 |
| Interest receivable | 0 | 1,124,759 | (1,124,759) | 0 |
| Prepaid expenses | 9,196 | 47,293 | (15,000) | 32,293 |
| Total current assets | 84,865 | 3,053,749 | (2,147,822) | 905,927 |
| Other assets: | | | | |
| Investments - subsidiaries | 0 | 508,194 | (508,194) | 0 |
| Restricted cash | 493,192 | 493,192 | 0 | 493,192 |
| Notes receivable - net of current portion | 0 | 1,307,635 | (1,300,000) | 7,635 |
| Total other assets | 493,192 | 2,309,021 | (1,808,194) | 500,827 |
| Property and equipment, net | 5,291,895 | 6,789,159 | 0 | 6,789,159 |
| TOTAL ASSETS | \$ 5,869,952 | \$ 12,151,929 | (\$ 3,956,016) | \$ 8,195,913 |
| <i>Liabilities and Net Assets</i> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 23,317 | \$ 285,198 | (\$ 28,210) | \$ 256,988 |
| Accounts payable - related parties | 75,719 | 75,719 | (25,000) | 50,719 |
| Bank overdraft | 262 | 262 | 0 | 262 |
| Accrued payroll and related | 0 | 137,028 | 0 | 137,028 |
| Accrued interest payable | 1,131,820 | 1,131,820 | (1,124,759) | 7,061 |
| Accrued real estate taxes | 54,418 | 54,418 | 0 | 54,418 |
| Security deposits | 42,543 | 57,543 | (15,000) | 42,543 |
| Prepaid rent | 1,799 | 1,799 | 0 | 1,799 |
| Current portion of notes payable | 814,446 | 2,351,438 | (731,717) | 1,619,721 |
| Total current liabilities | 2,144,324 | 4,095,225 | (1,924,686) | 2,170,539 |
| Long-term liabilities: | | | | |
| Notes payable, net of debt issuance costs | 2,753,543 | 3,763,566 | (1,523,136) | 2,240,430 |
| Total long-term liabilities | 2,753,543 | 3,763,566 | (1,523,136) | 2,240,430 |
| Total liabilities | 4,897,867 | 7,858,791 | (3,447,822) | 4,410,969 |
| Net assets: | | | | |
| Without donor restrictions | 154,565 | 3,317,429 | (731,686) | 2,585,743 |
| Without donor restrictions attributable to non-controlling interes | 817,520 | 817,520 | 223,492 | 1,041,012 |
| Total without donor restrictions | 972,085 | 4,134,949 | (508,194) | 3,626,755 |
| With donor restrictions | 0 | 158,189 | 0 | 158,189 |
| Total net assets | 972,085 | 4,293,138 | (508,194) | 3,784,944 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,869,952 | \$ 12,151,929 | (\$ 3,956,016) | \$ 8,195,913 |

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

Human Services, Inc. and Subsidiaries

Schedule C

Consolidating Statement of Activities

Year Ended December 31, 2019

| | Human Services, Inc. * | HSI Properties, Inc. | HSI Solutions, Inc. | Low-Income Housing Partnerships ** | Eliminations | Consolidated |
|----------------------------------|------------------------------|----------------------------|---------------------------|--|-----------------------|---------------------|
| Revenue: | | | | | | |
| Government grants | \$ 11,651,823 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 11,651,823 |
| Contributions | 783,091 | 0 | 0 | 0 | 0 | 783,091 |
| Rental income | 0 | 97,356 | 0 | 729,030 | (110,971) | 715,415 |
| Investment income | 77,799 | 3,708 | 0 | 292 | (80,871) | 928 |
| Earnings (loss) from subsidiary | 1,070,023 | (154,800) | 0 | 0 | (915,223) | 0 |
| In-kind contributions | 393,948 | 0 | 0 | 0 | 0 | 393,948 |
| Forgiveness of debt | 1,525,864 | 0 | 0 | 1,264,324 | (1,264,324) | 1,525,864 |
| Other income | 34,474 | 92,000 | 0 | 15,851 | (105,274) | 37,051 |
| Total revenue | 15,537,022 | 38,264 | 0 | 2,009,497 | (2,476,663) | 15,108,120 |
| Expenses: | | | | | | |
| Community services | 483,336 | 0 | 0 | 0 | (22,100) | 461,236 |
| Energy assistance | 1,559,496 | 0 | 0 | 0 | (11,817) | 1,547,679 |
| Early childhood education | 4,044,711 | 0 | 0 | 0 | (38,569) | 4,006,142 |
| Food programs | 299,542 | 0 | 0 | 0 | (37) | 299,505 |
| Housing programs | 5,844,321 | 70,968 | 0 | 1,047,685 | (1,476,702) | 5,486,272 |
| Health services | 318,029 | 0 | 0 | 0 | (148) | 317,881 |
| Other programs | 127,332 | 0 | 0 | 0 | (12,067) | 115,265 |
| Management and general | 661,679 | 0 | 0 | 0 | 0 | 661,679 |
| Total expenses | 13,338,446 | 70,968 | 0 | 1,047,685 | (1,561,440) | 12,895,659 |
| Change in net assets | 2,198,576 | (32,704) | 0 | 961,812 | (915,223) | 2,212,461 |
| Net assets at beginning of year | 2,967,424 | 351,183 | 2,446 | 972,085 | (508,194) | 3,784,944 |
| Net assets at end of year | \$ 5,166,000 | \$ 318,479 | \$ 2,446 | \$ 1,933,897 | (\$ 1,423,417) | \$ 5,997,405 |

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

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

Human Services, Inc. and Subsidiaries

Schedule C

Consolidating Statement of Activities

Year Ended December 31, 2018

| | Human Services, Inc. * | HSI Properties, Inc. | HSI Solutions, Inc. | Low-Income Housing Partnerships ** | Eliminations | Consolidated |
|----------------------------------|------------------------------|----------------------------|---------------------------|--|---------------------|---------------------|
| Revenue: | | | | | | |
| Government grants | \$ 12,850,818 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 12,850,818 |
| Contributions | 432,982 | 0 | 0 | 0 | 0 | 432,982 |
| Rental income | 61,199 | 58,525 | 0 | 689,165 | (58,525) | 750,364 |
| Investment income | 84,559 | 3,265 | 0 | 194 | (87,824) | 194 |
| Earnings (loss) from subsidiary | 117,849 | 91,854 | 0 | 0 | (209,703) | 0 |
| In-kind contributions | 422,203 | 0 | 0 | 0 | 0 | 422,203 |
| Other income | 67,105 | 0 | 0 | 178,547 | 0 | 245,652 |
| Total revenue | 14,036,715 | 153,644 | 0 | 867,906 | (356,052) | 14,702,213 |
| Expenses: | | | | | | |
| Community services | 418,994 | 0 | 0 | 0 | (13,285) | 405,709 |
| Energy assistance | 4,297,702 | 0 | 0 | 0 | (7,104) | 4,290,598 |
| Early childhood education | 3,913,092 | 0 | 0 | 0 | (23,186) | 3,889,906 |
| Food programs | 247,219 | 0 | 0 | 0 | (22) | 247,197 |
| Housing programs | 3,868,905 | 35,795 | 0 | 1,132,702 | (95,409) | 4,941,993 |
| Health services | 318,162 | 0 | 0 | 0 | (89) | 318,073 |
| Other programs | 203,271 | 0 | 0 | 0 | (7,254) | 196,017 |
| Management and general | 605,361 | 0 | 0 | 0 | 0 | 605,361 |
| Total expenses | 13,872,706 | 35,795 | 0 | 1,132,702 | (146,349) | 14,894,854 |
| Change in net assets | 164,009 | 117,849 | 0 | (264,796) | (209,703) | (192,641) |
| Net assets at beginning of year | 2,803,415 | 233,334 | 2,446 | 1,144,881 | (298,491) | 3,885,585 |
| Capital contribution | 0 | 0 | 0 | 92,000 | 0 | 92,000 |
| Net assets at end of year | \$ 2,967,424 | \$ 351,183 | \$ 2,446 | \$ 972,085 | (\$ 508,194) | \$ 3,784,944 |

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

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

Human Services, Inc. and Subsidiaries

Schedule D

Statement of Financial Position - Low-Income Housing Partnerships

December 31, 2019

| <i>Assets</i> | Oak Hill Apartments, LP | Oak Hill Apartments II, LP | Pearson Place, LP | Ridgecrest Limited, LP | Low-Income Housing Partnerships Subtotal |
|---|-------------------------------|----------------------------------|----------------------|------------------------------|---|
| Current assets: | | | | | |
| Cash | \$ 16,905 | \$ 13,417 | \$ 1,980 | \$ 10,097 | \$ 42,399 |
| Accounts receivable | 29,157 | 732 | 547 | 1,075 | 31,511 |
| Prepaid expenses | 0 | 5,760 | 0 | 4,671 | 10,431 |
| Total current assets | 46,062 | 19,909 | 2,527 | 15,843 | 84,341 |
| Other assets: | | | | | |
| Restricted cash | 277,715 | 95,694 | 46,481 | 129,720 | 549,610 |
| Total other assets | 277,715 | 95,694 | 46,481 | 129,720 | 549,610 |
| Property and equipment, net | 550,954 | 463,525 | 3,344,601 | 658,988 | 5,018,068 |
| TOTAL ASSETS | \$ 874,731 | \$ 579,128 | \$ 3,393,609 | \$ 804,551 | \$ 5,652,019 |
| <i>Liabilities and Net Assets</i> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 6,627 | \$ 5,292 | \$ 28,053 | \$ 2,535 | \$ 42,507 |
| Accounts payable - related parties | 13,497 | 7,827 | 117,000 | 3,145 | 141,469 |
| Accrued interest payable | 716 | 27,307 | 698,339 | 248,626 | 974,988 |
| Accrued real estate taxes | 17,284 | 9,299 | 18,005 | 9,190 | 53,778 |
| Security deposits | 16,200 | 8,050 | 11,298 | 7,845 | 43,393 |
| Prepaid rent | 776 | 71 | 675 | 0 | 1,522 |
| Current portion of notes payable | 40,222 | 25,969 | 19,034 | 8,073 | 93,298 |
| Total current liabilities | 95,322 | 83,815 | 892,404 | 279,414 | 1,350,955 |
| Long-term liabilities: | | | | | |
| Notes payable, net of debt issuance costs | 138,038 | 110,078 | 1,670,035 | 449,016 | 2,367,167 |
| Total long-term liabilities | 138,038 | 110,078 | 1,670,035 | 449,016 | 2,367,167 |
| Total liabilities | 233,360 | 193,893 | 2,562,439 | 728,430 | 3,718,122 |
| Net assets (deficit): | | | | | |
| Without donor restrictions | 641,371 | 385,235 | (235) | 76,121 | 1,102,492 |
| Without donor restrictions attributable to non-controlling interest | 0 | 0 | 831,405 | 0 | 831,405 |
| Total without donor restrictions | 641,371 | 385,235 | 831,170 | 76,121 | 1,933,897 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 874,731 | \$ 579,128 | \$ 3,393,609 | \$ 804,551 | \$ 5,652,019 |

Human Services, Inc. and Subsidiaries

Schedule D

Statement of Financial Position - Low-Income Housing Partnerships

December 31, 2018

| <i>Assets</i> | Oak Hill Apartments, LP | Oak Hill Apartments II, LP | Pearson Place, LP | Ridgecrest Limited, LP | Low-Income Housing Partnerships Subtotal |
|---|-------------------------------|----------------------------------|----------------------|------------------------------|---|
| Current assets: | | | | | |
| Cash | \$ 17,200 | \$ 10,703 | \$ 0 | \$ 16,190 | \$ 44,093 |
| Accounts receivable | 29,911 | 0 | 1,657 | 8 | 31,576 |
| Prepaid expenses | 0 | 5,003 | 0 | 4,193 | 9,196 |
| Total current assets | 47,111 | 15,706 | 1,657 | 20,391 | 84,865 |
| Other assets: | | | | | |
| Restricted cash | 250,763 | 86,102 | 40,361 | 115,966 | 493,192 |
| Total other assets | 250,763 | 86,102 | 40,361 | 115,966 | 493,192 |
| Property and equipment, net | 628,781 | 504,883 | 3,467,390 | 690,841 | 5,291,895 |
| TOTAL ASSETS | \$ 926,655 | \$ 606,691 | \$ 3,509,408 | \$ 827,198 | \$ 5,869,952 |
| <i>Liabilities and Net Assets</i> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 1,953 | \$ 827 | \$ 19,240 | \$ 1,297 | \$ 23,317 |
| Accounts payable - related parties | 11,413 | 6,865 | 39,271 | 18,170 | 75,719 |
| Bank overdraft | 0 | 0 | 262 | 0 | 262 |
| Accrued interest payable | 175,470 | 86,050 | 635,382 | 234,918 | 1,131,820 |
| Accrued real estate taxes | 17,533 | 10,286 | 17,409 | 9,190 | 54,418 |
| Security deposits | 16,400 | 8,400 | 10,248 | 7,495 | 42,543 |
| Prepaid rent | 284 | 336 | 1,179 | 0 | 1,799 |
| Current portion of notes payable | 764,293 | 24,812 | 17,737 | 7,604 | 814,446 |
| Total current liabilities | 987,346 | 137,576 | 740,728 | 278,674 | 2,144,324 |
| Long-term liabilities: | | | | | |
| Notes payable, net of debt issuance costs | 177,681 | 432,601 | 1,685,645 | 457,616 | 2,753,543 |
| Total long-term liabilities | 177,681 | 432,601 | 1,685,645 | 457,616 | 2,753,543 |
| Total liabilities | 1,165,027 | 570,177 | 2,426,373 | 736,290 | 4,897,867 |
| Net assets (deficit): | | | | | |
| Without donor restrictions | (622) | 68 | 91,781 | 63,338 | 154,565 |
| Without donor restrictions attributable to non-controlling interest | (237,750) | 36,446 | 991,254 | 27,570 | 817,520 |
| Total without donor restrictions | (238,372) | 36,514 | 1,083,035 | 90,908 | 972,085 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 926,655 | \$ 606,691 | \$ 3,509,408 | \$ 827,198 | \$ 5,869,952 |

Human Services, Inc. and Subsidiaries

Schedule E

Statement of Activities - Low-Income Housing Partnerships

Year Ended December 31, 2019

| | Oak Hill Apartments, LP | Oak Hill Apartments II, LP | Pearson Place, LP | Ridgecrest Limited, LP | Low-Income Housing Partnerships Subtotal |
|---|-------------------------------|----------------------------------|----------------------|------------------------------|---|
| Revenue: | | | | | |
| Rental income | \$ 254,028 | \$ 137,135 | \$ 216,528 | \$ 121,339 | \$ 729,030 |
| Investment income | 169 | 45 | 20 | 58 | 292 |
| Forgiveness of debt | 900,475 | 363,849 | 0 | 0 | 1,264,324 |
| Other income | 5,816 | 1,671 | 8,074 | 290 | 15,851 |
| Total revenue | 1,160,488 | 502,700 | 224,622 | 121,687 | 2,009,497 |
| Expenses: | | | | | |
| Housing programs | 280,745 | 153,979 | 476,487 | 136,474 | 1,047,685 |
| Total expenses | 280,745 | 153,979 | 476,487 | 136,474 | 1,047,685 |
| Change in net assets | 879,743 | 348,721 | (251,865) | (14,787) | 961,812 |
| Net assets (deficit) at beginning of year | (238,372) | 36,514 | 1,083,035 | 90,908 | 972,085 |
| Net assets at end of year | \$ 641,371 | \$ 385,235 | \$ 831,170 | \$ 76,121 | \$ 1,933,897 |

Human Services, Inc. and Subsidiaries

Schedule E

Statement of Activities - Low-Income Housing Partnerships

Year Ended December 31, 2018

| | Oak Hill Apartments, LP | Oak Hill Apartments II, LP | Pearson Place, LP | Ridgecrest Limited, LP | Low-Income Housing Partnerships Subtotal |
|---|-------------------------------|----------------------------------|----------------------|------------------------------|---|
| Revenue: | | | | | |
| Rental income | \$ 248,903 | \$ 129,573 | \$ 191,574 | \$ 119,115 | \$ 689,165 |
| Investment income | 125 | 25 | 13 | 31 | 194 |
| Other income | 113,726 | 56,148 | 8,043 | 630 | 178,547 |
| Total revenue | 362,754 | 185,746 | 199,630 | 119,776 | 867,906 |
| Expenses: | | | | | |
| Housing programs | 391,729 | 205,972 | 384,407 | 150,594 | 1,132,702 |
| Total expenses | 391,729 | 205,972 | 384,407 | 150,594 | 1,132,702 |
| Change in net assets | (28,975) | (20,226) | (184,777) | (30,818) | (264,796) |
| Net assets (deficit) at beginning of year | (209,397) | 56,740 | 1,175,812 | 121,726 | 1,144,881 |
| Capital contribution | 0 | 0 | 92,000 | 0 | 92,000 |
| Net assets (deficit) at end of year | (\$ 238,372) | \$ 36,514 | \$ 1,083,035 | \$ 90,908 | \$ 972,085 |



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Human Services, Inc.
Columbus, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Human Services, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 22, 2020. The financial statements of the subsidiaries were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the subsidiaries.

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 Human Services, Inc.’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

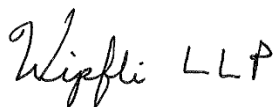
As part of obtaining reasonable assurance about whether Human Services, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Management Response to Finding

Human Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Human Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

September 22, 2020
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal Program and Internal Control Over Compliance

Board of Directors
Human Services, Inc.
Columbus, Indiana

Report on Compliance for Each Major Federal Program

We have audited Human Services, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019. 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 for Compliance

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its grant awards 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 on Human Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Human Services, Inc.'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

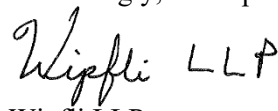
Report on Internal Control Over Compliance

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, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



Wipfli LLP

September 22, 2020
Madison, Wisconsin

Human Services, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|------------|
| Type of auditor's report issued? | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | Yes |
| Significant deficiencies identified? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major federal programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | No |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)] | No |

Identification of major federal programs:

| <u>Name of Federal Major Program or Cluster</u> | <u>CFDA No.</u> |
|---|-----------------|
| Housing Choice Voucher Program | 14.871 |
| Low-Income Home Energy Assistance Program | 93.568 |
| Dollar threshold used to distinguish between Type A and Type B programs: Federal | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Human Services, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

Section II - Financial Statement Findings

Finding 2019-001: Material Adjusting Journal Entries

Condition: During the audit, Wipfli LLP proposed several adjusting journal entries to properly record loans receivable, property and equipment, and inter-company activity which we deem to be material in relation to the financial statements. Since the internal controls of Human Services, Inc. did not detect and record the adjustments described above prior to the audit, a material weakness exists in Human Services, Inc.'s internal controls over financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in the United States.

Criteria: Internal controls are effective if they are properly designed and implemented to prevent or detect account misstatements prior to the audit.

Cause: The internal controls of Human Services, Inc. were not effective in preventing or detecting and correcting the misstatements described above prior to the audit. There was turnover in the Director of Fiscal Operations position in 2019 which may have contributed to this condition.

Effect: As a result of the financial reporting matter identified in the condition paragraph, a material weakness exists in Human Services, Inc.'s internal controls over financial reporting.

Recommendation: We recommend Human Services, Inc. implement procedures to provide sufficient internal control over financial reporting such that all necessary transactions are recorded in accordance with generally accepted accounting principles and funding source requirements.

View of responsible officials: Management agrees with the assessment and has committed to a corrective action plan.

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None



Human Services, Inc.
4355 East CR 600 North
Columbus, Indiana 47203

Corrective Action Plan for Current Year Finding

Human Services, Inc. submits the following corrective action plan for the identified finding for the audit period January 1, 2019 through December 31, 2019.

Finding 2019-001: Material Adjusting Journal Entries

Corrective Action: The Director of Fiscal Operations position will be required to attend OMB Uniform Guidance training withing six (6) months of hire. The current Director of Fiscal Operations will attend OMB Uniform Guidance training within 60 days to include but not limited to cost principles and cost allocation, items of cost and audit requirements, standards for financial management systems and internal controls, property and equipment and procurement, requirements for pass-through entities, reporting and record retention requirements, indirect cost rates, costs that a grant funded program can charge to federal grant awards, including allowable costs, unallowable costs, and costs that require prior approval and audit requirements.

Person Responsible: Director of Fiscal Operations and Executive Director
Timing for Implementation: 10/12/2020, 10/13/2020, 11/16/2020, 11/18/2020, and 11/20/2020



Donna Taylor, Executive Director



Ryan Dalton, Director of Fiscal Operations

Summary Schedule of Prior Year Findings

None