

Chinese American Service League, Inc.

Financial Statements and Independent Auditor's Report

June 30, 2019 and 2018



CHINESE AMERICAN SERVICE LEAGUE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chinese American Service League, Inc.

Report on the 2019 Financial Statements

We have audited the accompanying financial statements of Chinese American Service League, Inc. which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 2019 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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

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

Opinion on the 2019 Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chinese American Service League, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Chinese American Service League, Inc. as of and for the year ended June 30, 2018, were audited by other auditors whose reported dated November 2, 2018, expressed an unmodified opinion on those statements. See emphasis of matter section below.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2018 financial statements have been restated which resulted in an increase in net assets of \$500,190 as of June 30, 2018. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2019 financial statements as a whole. The accompanying supplementary information, including the Schedule of Expenditures of Federal 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 (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the 2019 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 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 2019 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 2019 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 December 19, 2019, on our consideration of Chinese American Service League, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in Chinese American Service League, Inc.'s internal control over financial reporting and compliance.

FGMK, LLC

Bannockburn, Illinois
December 19, 2019

CHINESE AMERICAN SERVICE LEAGUE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS		
	2019	(Restated) 2018
CURRENT ASSETS		
Cash	\$ 4,276,436	\$ 4,849,237
Investment - Certificates of Deposit	1,027,988	-
Contract receivables	1,979,908	2,187,514
Unconditional promises to give	96,000	30,220
Other current assets	211,215	117,102
	<u>7,591,547</u>	<u>7,184,073</u>
PROPERTY AND EQUIPMENT, NET	<u>3,945,450</u>	<u>4,083,726</u>
OTHER ASSETS		
Unconditional promise to give, net	28,102	19,999
Investments	297,218	270,970
	<u>325,320</u>	<u>290,969</u>
	<u>\$ 11,862,317</u>	<u>\$ 11,558,768</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 117,169	\$ 117,169
Accounts payable	106,881	194,145
Accrued payroll	828,189	815,662
Accrued liabilities	916,914	769,978
	<u>1,969,153</u>	<u>1,896,954</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	<u>2,452,691</u>	<u>2,560,096</u>
	<u>4,421,844</u>	<u>4,457,050</u>
NET ASSETS		
Without donor restrictions		
Undesignated	6,517,731	6,242,211
Designated for building replacement	254,369	183,282
Reserved for retirement benefit	372,917	422,917
With donor restrictions	295,456	253,308
	<u>7,440,473</u>	<u>7,101,718</u>
	<u>\$ 11,862,317</u>	<u>\$ 11,558,768</u>

The accompanying notes are an integral part of these statements.

CHINESE AMERICAN SERVICE LEAGUE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government contracts	\$ 6,596,721	\$ 28,711	\$ 6,625,432	\$ 7,027,671	\$ 43,778	\$ 7,071,449
Contributions						
Individuals and corporate	123,606	-	123,606	87,222	-	87,222
Foundations	54,851	519,149	574,000	332,250	116,500	448,750
United Way of Chicago	92,755	-	92,755	117,750	-	117,750
Special events, net of (\$184,674 and \$213,139 as of June 30, 2019 and 2018, respectively)	415,665	-	415,665	338,159	-	338,159
Long-term care service fees	5,084,668	-	5,084,668	4,786,854	-	4,786,854
Program service fees and other	546,631	-	546,631	462,546	41,159	503,705
Release from restrictions	505,712	(505,712)	-	233,783	(233,783)	-
	<u>13,420,609</u>	<u>42,148</u>	<u>13,462,757</u>	<u>13,386,235</u>	<u>(32,346)</u>	<u>13,353,889</u>
EXPENSES						
Program services	12,238,851	-	12,238,851	12,339,111	-	12,339,111
Management and general	351,376	-	351,376	351,680	-	351,680
Fundraising	533,775	-	533,775	539,656	-	539,656
	<u>13,124,002</u>	<u>-</u>	<u>13,124,002</u>	<u>13,230,447</u>	<u>-</u>	<u>13,230,447</u>
CHANGE IN NET ASSETS	<u>296,607</u>	<u>42,148</u>	<u>338,755</u>	<u>155,788</u>	<u>(32,346)</u>	<u>123,442</u>
NET ASSETS, BEGINNING OF YEAR (ORIGINALLY STATED)	6,848,410	253,308	7,101,718	6,319,072	285,654	6,604,726
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>373,550</u>	<u>-</u>	<u>373,550</u>
NET ASSETS, BEGINNING OF YEAR (RESTATEd)	<u>6,848,410</u>	<u>253,308</u>	<u>7,101,718</u>	<u>6,692,622</u>	<u>285,654</u>	<u>6,978,276</u>
NET ASSETS, END OF YEAR	<u>\$ 7,145,017</u>	<u>\$ 295,456</u>	<u>\$ 7,440,473</u>	<u>\$ 6,848,410</u>	<u>\$ 253,308</u>	<u>\$ 7,101,718</u>

The accompanying notes are an integral part of these statements.

CHINESE AMERICAN SERVICE LEAGUE

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019								
	Program						Management and General	Fundraising	Total
	Senior Wellness & Independence	Children & Youth Development	Employment & Financial Empowerment	Community & Family Well-Being	Other Programs	Total Program Expenses			
Salaries and related expenses	\$ 6,423,953	\$ 1,201,939	\$ 1,053,481	\$ 512,745	\$ 92,635	\$ 9,284,753	\$ 149,407	\$ 358,978	\$ 9,793,138
Health insurance and retirement	409,243	171,262	92,882	73,347	9,943	756,677	11,596	51,351	819,624
Payroll taxes and insurance	583,962	109,027	95,180	46,583	8,205	842,957	12,578	32,614	888,149
Total salaries and related benefits	7,417,158	1,482,228	1,241,543	632,675	110,783	10,884,387	173,581	442,943	11,500,911
Professional fees	117,677	58,742	52,942	19,748	83	249,192	54,335	17,464	320,991
Supplies	68,405	81,068	70,874	11,131	-	231,478	19,618	18,564	269,660
Software	3,340	-	-	-	-	3,340	9,571	-	12,911
Interest and fees	22,966	44,888	18,790	7,309	-	93,953	7,307	3,132	104,392
Telephone	21,843	10,195	6,477	4,094	5,510	48,119	3,039	3,289	54,447
Postage and shipping	2,655	3,103	1,401	1,328	-	8,487	1,198	1,135	10,820
Utilities	24,226	47,351	19,821	7,720	-	99,118	7,709	3,304	110,131
Repairs and maintenance	22,410	39,993	20,027	6,013	-	88,443	11,075	2,580	102,098
Property and liability insurance	10,737	12,802	6,581	5,370	-	35,490	4,543	3,288	43,321
Printing	21,398	4,608	4,249	21,863	-	52,118	4,859	10,808	67,785
Local transportation	49,262	10,563	717	790	2,076	63,408	4,005	844	68,257
Conferences, conventions, meetings and travel	29,113	11,187	6,400	8,225	-	54,925	27,417	4,483	86,825
Client and trainee assistance	-	4,602	6,755	-	-	11,357	-	-	11,357
Other	23,145	8,202	21,443	7,545	70	60,405	4,363	13,844	78,612
Depreciation and amortization	63,512	113,755	51,616	25,748	-	254,631	18,756	8,097	281,484
	7,897,847	1,933,287	1,529,636	759,559	118,522	12,238,851	351,376	533,775	13,124,002
Rent & facility costs	-	-	-	-	-	-	-	75,875	75,875
Food & beverages	-	-	-	-	-	-	-	86,491	86,491
Entertainment	-	-	-	-	-	-	-	13,690	13,690
Other direct costs	-	-	-	-	-	-	-	8,618	8,618
Total special event expenses	-	-	-	-	-	-	-	184,674	184,674
Total expenses	\$ 7,897,847	\$ 1,933,287	\$ 1,529,636	\$ 759,559	\$ 118,522	\$ 12,238,851	\$ 351,376	\$ 718,449	\$ 13,308,676

The accompanying notes are an integral part of these statements.

CHINESE AMERICAN SERVICE LEAGUE

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	2018								
	Program						Management and General	Fundraising	Total
	Senior Wellness & Independence	Children & Youth Development	Employment & Financial Empowerment	Community & Family Well-Being	Other Programs	Total Program Expenses			
Salaries and related expenses	\$ 6,067,812	\$ 1,272,433	\$ 1,068,509	\$ 542,251	\$ 283,996	\$ 9,235,001	\$ 177,821	\$ 382,274	\$ 9,795,096
Health insurance and retirement	410,068	174,820	93,521	71,427	39,353	789,189	13,297	53,952	856,438
Payroll taxes and insurance	557,614	116,634	96,425	49,833	26,040	846,546	15,280	35,049	896,875
Total salaries and related benefits	7,035,494	1,563,887	1,258,455	663,511	349,389	10,870,736	206,398	471,275	11,548,409
Professional fees	102,582	27,962	29,879	9,607	10,336	180,366	58,198	3,052	241,616
Supplies	54,631	71,400	39,011	8,964	34,231	208,237	17,756	21,365	247,358
Software	8,683	3,798	43,900	29,012	-	85,393	-	-	85,393
Interest and fees	20,526	40,118	16,794	7,464	931	85,833	4,665	2,799	93,297
Telephone	39,599	10,570	6,692	4,148	6,723	67,732	5,208	-	72,940
Postage and shipping	2,176	2,573	1,187	1,125	811	7,872	907	1,690	10,469
Utilities	24,473	47,836	20,021	8,897	1,118	102,345	5,562	3,337	111,244
Repairs and maintenance	29,986	53,768	22,831	8,841	1,105	116,531	5,767	3,316	125,614
Property and liability insurance	10,119	12,064	6,248	6,163	422	35,016	3,860	1,946	40,822
Printing	19,314	6,124	16,248	16,302	7,086	65,074	4,992	9,002	79,068
Local transportation	48,316	13,088	906	1,941	4,915	69,166	3,169	654	72,989
Conferences, conventions, meetings and travel	30,472	4,333	3,795	5,463	12,292	56,355	15,987	1,255	73,597
Client and trainee assistance	-	7,440	8,074	-	7,000	22,514	-	-	22,514
Other	12,310	7,997	24,052	5,795	88,661	138,815	6,864	12,598	158,277
Depreciation and amortization	54,055	103,152	43,243	19,627	7,049	227,126	12,347	7,367	246,840
	7,492,736	1,976,110	1,541,336	796,860	532,069	12,339,111	351,680	539,656	13,230,447
Rent & facility costs	-	-	-	-	-	-	-	91,991	91,991
Food & beverages	-	-	-	-	-	-	-	76,286	76,286
Entertainment	-	-	-	-	-	-	-	38,679	38,679
Other direct costs	-	-	-	-	-	-	-	6,183	6,183
Total special event expenses	-	-	-	-	-	-	-	213,139	213,139
Total expenses	\$ 7,492,736	\$ 1,976,110	\$ 1,541,336	\$ 796,860	\$ 532,069	\$ 12,339,111	\$ 351,680	\$ 752,795	\$ 13,443,586

The accompanying notes are an integral part of these statements.

CHINESE AMERICAN SERVICE LEAGUE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	(Restated) 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 338,755	\$ 123,442
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	281,484	246,840
Net Realized and unrealized gain on investments	(25,359)	-
Changes in operating assets and liabilities:		
Contract receivables	207,606	453,025
Promises to give	(73,883)	226,400
Investments	-	7,693
Other assets	(94,113)	40,280
Accounts payable	(87,264)	85,088
Other liabilities	159,463	673,321
Net Cash Provided By Operating Activities	706,689	1,856,089
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of investments	(1,028,877)	-
Purchases of property and equipment	(143,208)	(256,635)
Net Cash Used In Investing Activities	(1,172,085)	(256,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(107,405)	(127,524)
NET CHANGE IN CASH	(572,801)	1,471,930
CASH - BEGINNING OF YEAR	4,849,237	3,377,307
CASH - END OF YEAR	\$ 4,276,436	\$ 4,849,237
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 93,953	\$ 93,297

The accompanying notes are an integral part of these statements.

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Chinese American Service League, Inc. (“CASL” or “Agency”), an Illinois corporation, was incorporated in 1978 as a not-for-profit community-based social service agency for the purpose of strengthening the physical, economic, and mental health of people of all ages and backgrounds of the Chinese community in the greater Chicago area. This is achieved through comprehensive program activities that:

- Lead to family economic self-sufficiency
- Strengthen families
- Ease the cultural transitions of individuals and families as they integrate into American society
- Engage in advocacy to achieve positive social systemic change

CASL is a critical anchor for the greater Chicago Chinese community delivering impactful programs and services that preserve and nurture the connection that current and future generations have to their Chinese culture and heritage. Supported by CASL, our community members will live prosperous and empowered lives integrating the best of Chinese and American cultures.

The Agency provides services through the following major departments and programs:

Senior Wellness and Independence: CASL impacts the mental and physical health of community seniors, engaging them to live healthy, happy, independent and engaged lives through Adult Day Services, Senior Homecare Services and the Pine Tree Senior Council.

Children and Youth Development: CASL impacts children through an enriching multilingual environment that provides them with the skills to succeed at school while supporting families and their efforts to transition into American culture. Programming includes children 0 to 18 years old.

Employment and Financial Empowerment: CASL strengthens the community as a whole by enriching the economic power of its clients who contribute to it. When their financial needs are met, they are able to become highly productive members of society and are able to thrive. Programming includes Adult Employment, Culinary Training, Senior Employment and Housing and Financial Education.

Community and Family Well-being: CASL impacts the stability of the community by offering foundational services that safeguard individual and family needs such as Legal Clinic, Citizenship and Immigration, Wellness and Social Services and Basic Needs & Public Services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other assets and liabilities.

Financial Statement Presentation. CASL is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions - Amounts that are currently available for use in CASL’s operations and for acquisition of property and equipment.

With Donor Restrictions - Amounts that are stipulated by donors for specific operating purposes, for use in future periods or to be maintained permanently by CASL.

(Continued)

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Revenue Recognition and Support. CASL receives grant revenue from federal, state and local agencies. Revenue is recognized as services are provided in accordance with the terms of the grants. Any of the funders may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by CASL with the terms of the grants. Management believes that CASL is in compliance with all grants and that no amounts are due to grantors as of June 30, 2019.

Contributions are recorded as increases in net assets with donor restrictions or increases in net assets without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions received with donor-imposed restrictions limiting the use of the donated assets are reported as revenue with donor restrictions. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Management Estimates and Assumptions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is acquired, as additional information is obtained, and the operating environment changes.

Functional Allocation of Expenses. The costs of providing the various programs and other activities for the year ended June 30, 2019 have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services on the basis of management estimates.

Cash. CASL maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CASL has not experienced any losses in such accounts. Management believes that CASL is not exposed to any significant credit risk on cash. Cash and cash equivalents with an original maturity of ninety days or more that are considered a portion of investments are classified and reported as investments.

Contract Receivables. Contract receivables represent amounts due for various program services provided to funding agencies and others, as well as earned revenue from social business enterprises. The allowance for doubtful accounts is determined based on historical experience and analysis of specific accounts. Uncollectible amounts are charged to bad debt expense when that determination is made. There was no allowance for doubtful accounts deemed necessary as of June 30, 2019 and 2018.

Promises to Give. Contributions are recognized when a donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in without donor restricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, with donor restricted net assets are reclassified to net assets without donor restrictions. The Agency uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

(Continued)

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Investments. Investments are presented in the financial statements at fair value. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the statements of activities. Investments received as contributions are recorded at fair value at the date of receipt.

CASL's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect CASL's financial statements.

Property and Equipment. Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. Additions and improvements to existing property and equipment over \$5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. For building and improvements, lives range from 5 to 40 years, and for equipment, lives range from 3 to 10 years.

Income Taxes. CASL is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes excluding any income not related to its tax-exempt purpose. Accordingly, no provision for income taxes has been recorded in the financial statements.

Reclassification. Certain reclassifications have been made to 2018 financial statements to conform with the 2019 presentation which did not impact net assets or the change in net assets. Approximately \$400,000 was reclassified from cash to accrued payroll to reflect payroll owed but unpaid as of June 30, 2018.

Liquidity and Availability. The following reflects CASL's financial assets as of the balance sheet date, reduced by amounts not available for general expenditures because of contractual and donor-imposed restrictions. As of June 30, 2019, CASL had \$7,055,357 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures.

	<u>2019</u>
Total assets at year end	\$ 11,862,317
Less unavailable for general expenditures within one year:	
Non-financial assets	3,945,450
Assets with donor limitations	295,456
Assets with board imposed limitations	526,054
Grants and pledges receivable in excess of one year	<u>28,102</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,067,255</u>

Adoption of New Accounting Pronouncement. In 2019, CASL adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profits*. The ASU amends the reporting model for not-for-profit organizations and enhances the required disclosures. Major changes include requiring presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", new disclosures regarding liquidity and the availability of resources, a requirement for a statement of expenses by both nature and functional classification, and disclosures related to the functional allocation of expenses were expanded. Net assets that were previously reported as unrestricted are now reported as net assets without donor restrictions. Net assets that were previously reported as either temporarily or permanently restricted are now reported as net assets with donor restrictions.

(Continued)

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2018. Early adoption is permitted for reporting periods beginning after December 15, 2016. Organizations may use either a full retrospective or a modified retrospective approach to adopt this ASU. Management is currently evaluating this standard, including which transition approach to use.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for contributions (nonreciprocal) with the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to Topic 606 or other guidance and (2) determining whether a contribution is conditional. The new guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating this standard.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2019	2018
Land	\$ 449,403	\$ 449,403
Building	6,732,065	6,732,065
Building improvements	131,986	114,329
Vehicles	136,389	76,157
Furniture and equipment	182,951	151,729
Software	160,740	126,640
	7,793,534	7,650,323
Less: Accumulated depreciation and amortization	3,848,084	3,566,597
	<u>\$ 3,945,450</u>	<u>\$ 4,083,726</u>

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS

FASB *Accounting Standard Codification* (“ASC”) 820, *Fair Value Measurements and Disclosure*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1.** Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that CASL has the ability to access.
- Level 2.** Inputs to the valuation methodology include the following:
- Quoted prices for similar assets or liabilities in active market;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

Certificates of Deposit. Investments in certificates of deposit are estimated to approximate deposit account balances, as no discounts for credit quality or liquidity were determined to be applicable.

Alternative Investments. Investments in hedge funds and real estate funds are reported at fair value based on net asset values (“NAV”) provided by the external investment manager as of the date of their most recent audited financial statements, adjusted for cash receipts, cash disbursements and other anticipated income or loss through CASL’s fiscal year end. The NAVs of the investment funds are determined on the accrual basis of accounting in conformity with GAAP and used as a practical expedient. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of CASL’s investments in investment limited partnerships generally represents the amount CASL would expect to receive if it were to liquidate its investment in the investment limited partnerships excluding any redemption charges that may apply.

(Continued)

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS (Concluded)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CASL believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The following table summarizes investments according to the fair value hierarchy as of June 30, 2019 and 2018.

	Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
Certificates of deposit	\$ -	\$ 1,027,988	\$ -	\$ -	\$ 1,027,988
Alternative Investments:					
Investment in PEP	-	-	-	25,534	25,534
Prudential annuity	-	-	-	271,684	271,684
	<u>\$ -</u>	<u>\$ 1,027,988</u>	<u>\$ -</u>	<u>\$ 297,218</u>	<u>\$ 1,325,206</u>
	Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	NAV	Total
Alternative Investments:					
Investment in PEP	\$ -	\$ -	\$ -	\$ 24,644	\$ 24,644
Prudential annuity	-	-	-	246,326	246,326
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,970</u>	<u>\$ 270,970</u>

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – NOTE PAYABLE

In August 2002, the Agency issued through the Illinois Development Finance Authority its secured note (“Note”) in the principal amount of \$5,000,000. The Agency obtained the Note proceeds through the issuance and sale of its Variable Rate Demand Revenue Bonds (Chinese American Service League Project) series 2002 (“Bond”). The Note proceeds were used by the Agency to finance the costs of the acquisition, construction and equipping of the Agency’s community service center.

On May 1, 2016, US Bank National Association and the Agency renewed and extended the outstanding principal balance of the Bond in the amount of \$2,929,232 to December 1, 2022. Shortly thereafter, the Agency entered into an interest rate swap agreement with US Bank through December 1, 2022, at the end of which the Bond may be remarketed. The weighted average interest rate was 3.87% and 3.34% for the years ended June 30, 2019 and 2018, respectively. The outstanding loan balance was \$2,589,860 and \$2,677,265 as of June 30, 2019 and 2018, respectively.

Interest paid on Note Payable amounted to \$93,953 and \$93,420 for the years ended June 30, 2019 and 2018, respectively. The Agency may not incur any indebtedness other than as specifically permitted in the Agreement. The Note is secured by the Agency’s land and building, improvements, equipment and fixtures, and certain rights, interests, and judgement as defined in a Mortgage and Security Agreement between the Agency and US Bank.

Future annual principal payments on the Note for each fiscal year are as follows as of June 30, 2019:

Year Ending June 30	Amount
2020	\$ 117,169
2021	117,169
2022	117,169
2023	2,218,353
	<u>\$ 2,569,860</u>

NOTE 6 – LINE OF CREDIT

The Agency has a \$1,000,000 line of credit agreement with US Bank maturing on December 29, 2020. Borrowing under the line bears interest at 30 day LIBOR plus 2% (4.40% at June 30, 2019). There was no outstanding balance on this line of credit as of June 30, 2019 and 2018.

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – GOVERNMENT CONTRACTS

Public support from government contracts represents reimbursements of qualified costs submitted by the Agency. Qualified costs are defined by the individual agreements between the Agency and the contracting governmental units.

<u>Federal Contracts Passed-Through:</u>	<u>2019</u>	<u>2018</u>
City of Chicago		
Department of Family and Support Services		
Employment Preparation & Placement Services	\$ 105,769	\$ 81,915
Industry-Specific Training and Placement Program (Chef Training)	49,880	46,080
Child Care Collaboration and Head Start Program	264,258	855,984
Department of Planning and Development		
Small Accessible Repair for Seniors	80,897	67,262
Housing Counseling Center	50,177	44,877
Illinois Department on Aging – Child and Adult Care Food Program	66,168	60,494
Illinois State Board of Education		
Child Care Food Program	82,508	80,833
Chicago Cook Workforce Partnership		
Chef Training program	119,290	140,620
WIOA – Adult Program	188,729	192,744
WIOA – Youth Program	195,477	244,341
Illinois Department of Human Services		
Illinois Action for Children – Child care and development block grant	-	3,096
Immigrant family – SNAP initiative	30,625	17,500
Immigrant Family Resource Program WIC Collaborative	22,500	22,500
National Asian Pacific Center on Aging (“NAPCA”)		
Senior Community Service Employment Program	516,477	510,808
Chinese Mutual Aid Association – ICCB EL/Civics Program	58,900	66,280
National Coalition for Asian Pacific American Community Development		
HUD Comprehensive Housing Counseling Program	45,068	49,000
U.S. Department of Health & Human Services		
Culture and Caregiving Needed for Chinese Elderly with Cognitive Impaired	35,497	80,335
Filial Piety and Psychosocial Well-Being in Chinese Population	-	1,372
Adapting Patient Navigation to Promote Cancer Screening in Chicago Chinatown	42,649	63,427
Epidemiology of Psychological Distress in a Chinese Aging Population		120,418
Suicide Prevention in Chinese Older Adults	43,518	39,907
Illinois Pathways to Health	3,433	4,761
U.S. Department of Homeland Security		
Citizenship and Integration Direct Services Grant	139,552	119,839
Total Federal Contracts	<u>2,141,372</u>	<u>2,914,393</u>

(Continued)

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – GOVERNMENT CONTRACTS (Concluded)

	2019	2018
<u>State and Local Contracts</u>		
Community Economic Development Association – Low Income Home Energy Assistance (“LIHEAP”)	\$ 27,617	\$ 37,910
Chicago Department of Family & Supportive Services Out of School Time Programming – year round	46,142	47,512
National Coalition for Asian Pacific American Community Development Project Reinvest	8,080	19,123
Housing Counseling Program	6,523	27,636
Asset Building	2,728	27,273
Economic Empowerment	12,179	-
Illinois Action for Children	4,009	-
After School Matters Inc.	14,418	14,979
Asian American Advancing Justice	-	16,000
Public Health Institute of Metropolitan Chicago - Healthy Chicago	-	40,000
Chicago Citywide Literacy Coalition	8,500	-
Asian Health Coalition	11,500	22,500
Coalition for a Better Chinese American Community	3,000	20,000
Coalition of Limited English Speaking Elderly	22,226	13,027
Chinese Mutual Aid Association – ICCB Program	38,254	28,920
Illinois Housing Development Authority – Foreclosure Prevention Counseling & Education	81,586	63,141
Illinois Department of Human Services Immigrant Family Resource Program New Americans Initiative	102,500	87,500
	91,000	91,000
Child Care Collaboration	656,862	-
Illinois State Board of Education	333,277	285,600
Illinois Department on Aging – Adult Day Service	275,713	249,355
Illinois Department on Aging – In-Home Service	2,753,013	3,027,083
Total State and Local Contracts	4,499,127	4,118,559
Less: Funds previously restricted	(43,778)	(5,281)
Total Government Contracts	\$ 6,596,721	\$ 7,027,671

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30:

	2019	2018
Unrestricted promises	\$ 126,732	\$ 53,600
Less: Unamortized discount	2,630	3,381
	<u>\$ 124,102</u>	<u>\$ 50,219</u>
Amount due in		
Less than one year	\$ 96,000	\$ 30,220
One to four years	28,102	19,999
	<u>\$ 124,102</u>	<u>\$ 50,219</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of daily treasury yield plus one percent, averaging approximately 3%, when the donor makes an unconditional promise to give to the Agency.

NOTE 9 – EXCESS PAYMENT LIABILITIES

In the course of providing services to its clients and being paid for those services by the respective State agencies and managed care organizations, at times CASL is inadvertently overpaid for its programs. CASL recognizes these overpayments as liabilities and works with the respective organizations to resolve the discrepancies. Approximately \$758,000 of potential overpayments from State agencies and managed care organizations was included in accrued liabilities on the accompanying statement of financial position as of June 30, 2019.

NOTE 10 – RETIREMENT PLAN

The Agency has a defined-contribution retirement plan which covers all eligible employees. Employer contributes a 3% Safe Harbor Non-Elective contribution. In addition, the Agency can make discretionary matching and also non-matching contributions for eligible employees with the rates to be determined by the Board of Directors each year. Contributions to this plan were \$172,962 and \$188,577 for the years ended June 30, 2019 and 2018, respectively.

In December 2016, the Agency established a Non-Qualified Deferred Compensation Plan ("NQDC") for the benefit of the retiring President who had served the Agency since inception. The benefit became vested on the day the NQDC was established. Under the NQDC, the Agency would make quarterly payments of \$12,500 each beginning on April 1, 2017 with a final payment on January 1, 2022 totaling \$250,000. In addition, the Agency purchased an annuity from Pruco in the amount of \$250,000 for the benefit of the retiring President. Annuity payments would begin April 1, 2022. The Agency set up a reserve against its net asset for the benefit under the NQDC; expenses would be recognized as payments are made, and the reserve would be reduced accordingly. No contributions were made to this plan for the years ended June 30, 2019 and 2018, respectively.

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose	\$ 153,107	\$ 172,268
Subject to the passage of time	-	29,463
Subject to the passage of time and specified purpose	118,102	26,930
Not subject to spending policy and appropriation	24,247	24,647
	<u>\$ 295,456</u>	<u>\$ 253,308</u>

NOTE 12 – CONCENTRATIONS

For the year ended June 30, 2019, approximately 23% of revenue and 26% of contracts receivables were for the Illinois Department on Aging and approximately 38% of revenue and 46% of contracts receivables were from Managed Care Organizations.

For the year ended June 30, 2018, approximately 25% of revenue and 22% of contracts receivable were for the Illinois Department of Aging and approximately 36% of revenue and 51% of contracts receivable were from Managed Care Organizations.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Subsequent to the original issuance of the 2018 financial statements, CASL recorded a prior period adjustment for the year ended June 30, 2017 to reduce an overstated accrued liability for unemployment benefits. Additionally, CASL recorded a prior period adjustment for the year ended June 30, 2018 to capitalize improperly expensed costs related to software. The net effects of these prior period adjustments are listed below.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets as of June 30, 2017, as originally stated	\$ 6,319,072	\$ 285,654	\$ 6,604,726
Prior period adjustment			
Reversal of accrual for unemployment benefits liabilities	373,550	-	373,550
Net assets as of June 30, 2017, restated	6,692,622	285,654	6,978,276
Changes in net assets for the year ended			
June 30, 2018, as originally stated	29,148	(32,346)	(3,198)
Prior period adjustment-			
Reversal of software expense	126,640	-	126,640
Changes in net assets for the year ended			
June 30, 2018, restated	155,788	(32,346)	123,442
Net assets as of June 30, 2018, restated	<u>\$ 6,848,410</u>	<u>\$ 253,308</u>	<u>\$ 7,101,718</u>

CHINESE AMERICAN SERVICE LEAGUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from June 30, 2019 through December 19, 2019, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.

SUPPLEMENTARY INFORMATION

CHINESE AMERICAN SERVICE LEAGUE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor	Annual Contribution Contract #	Program or Award CFDA#	Federal Awards Expended
U.S. Department of Homeland Security			
Citizenship and Integration Direct Services Grant	2016-CS-010-000011	97.010	\$ 41,589
Citizenship and Integration Direct Services Grant	18CICET00060-01-00	97.010	97,963
Total U.S. Department of Homeland Security			139,552
U.S. Department of Agriculture			
Pass through programs from			
Illinois Department of Human Services to			
Illinois Coalition for Immigrant and Refugee Rights			
WIC Collaborative		10.557	22,500
SNAP Initiative		10.557	30,625
Illinois State Board of Education			
Child and Adult Care Food Program	15016575P00	10.558	82,508
Illinois Department on Aging			
Child and Adult Care Food Program	SDA 1212011	10.558	66,168
Total U.S. Department of Agriculture			201,801
U.S. Department of Education			
Pass through programs from			
Illinois Community College Board			
Chinese Mutual Aid Association			
Direct Instruction (Federal IEL/CE)		84.002	58,900
U.S. Department of Health and Human Services			
Pass through programs from			
AgeOptions			
Illinois Pathways to Health - Expanding Reach and Building Sustainability of CDSME Programs	90CSSG0007-01-01	93.734	3,433
Chicago Department of Family and Support Services			
Head Start and Early Head Start Program	33331-4	93.600	109,322
Head Start and Early Head Start Program	33331-5	93.600	154,936
National Institutes of Health via Rush University Medical Center			
Culture and Caregiving Needed for Chinese Elderly with Cognitive Impaired	5R01NR014846-03	93.361	35,497
National Institutes of Health via Northwestern University			
Adapting Patient Navigation to Promote Cancer Screening in Chicago Chinatown	60042986CASL	93.393	42,649
Suicide Prevention in Chinese Older Adults	60037020CASL	93.242	43,518
Total of U.S. Department of Health and Human Services			389,355
U.S. Department of Housing and Urban Development			
Pass through programs from			
National Coalition for Asian Pacific American Community Development			
HUD Comprehensive Housing Counseling Assistance Program	300-HUDHC18	14.169	45,068
CDBG - Entitlement Grants Cluster			
Chicago Department of Family & Support Services			
Employment Preparation and Placement Services	43846	14.218	39,209
Employment Preparation and Placement Services	85779	14.218	66,560
Industry-Specific Training and Placement Program	44147	14.218	29,440
Industry-Specific Training and Placement Program	85675	14.218	20,440
Chicago Department of Planning & Development			
Small Accessible Repairs for Seniors	50008-2	14.218	61,642
Small Accessible Repairs for Seniors	94206	14.218	19,255
Housing Counseling Center (HCC)	50296-2	14.218	26,127
Housing Counseling Center (HCC)	94174	14.218	24,050
Subtotal CDBG - Entitlement Grants Cluster			286,722
Total U.S. Department of Housing and Urban Development			331,791

See Independent Auditor's Report.

CHINESE AMERICAN SERVICE LEAGUE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor	Annual Contribution Contract #	Program or Award CFDA#	Federal Awards Expended
U.S. Department of Labor, Employment & Training Administration			
Pass through programs from			
National Asian Pacific Center on Aging			
Senior Community Service Employment Program		17.235	516,477
WIA Cluster			
Ed Link			
Chef Training Program		17.258	119,290
Chicago Cook Workforce Partnership			
WIOA Adult Program	2017-253	17.258	42,722
WIOA Adult Program	2018-253	17.258	146,007
WIOA Youth Activities	2017-454	17.259	122,173
WIOA Youth Activities	2018-454	17.259	73,304
Subtotal WIA Cluster			503,496
Total of U.S. Department of Labor, Employment & Training Administration			1,019,974
Total Federal Program Expenditures			\$ 2,141,373

CHINESE AMERICAN SERVICE LEAGUE, INC.**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") of Chinese American Service League, Inc. (the "Agency") is presented on the same basis of accounting as the Agency's financial statements. The Agency uses the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements. Therefore, some amounts presented in the Schedule may differ from the amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – PROGRAM COSTS

Expenditures represent only the federally funded portions of the Agency programs. Entire program costs, including the portions funded by Agency, may be more than shown.

NOTE 3 – NON-CASH AWARDS

The Agency did not receive non-cash awards during 2019.

NOTE 4 – SUB-RECIPIENTS

The Agency provided no awards to sub-recipients during the year ended June 30, 2019 with respect to the federal awards reported on the Schedule.

NOTE 5 – NON-CASH ASSISTANCE FROM FEDERAL LOANS AND INSURANCE

The Agency had no insurance provided under federal awards during the year ended June 30, 2019 or any federal loans or federal loan guarantees outstanding at June 30, 2019.

NOTE 6 – INDIRECT COST RATE

The Agency has elected to use the de minimis 10% rate for allocating indirect costs.

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

To the Board of Directors of
Chinese American Service League, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chinese American Service League, Inc. (the "Agency"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs findings as item 2019-001, 2019-002 and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

Agency's Response to Findings

Agency's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Agency'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FGMK, LLC

Bannockburn, Illinois

December 19, 2019

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

To the Board of Directors of
Chinese American Service League, Inc.

Report on Compliance for Each Major Federal Program

We have audited Chinese American Service League, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Chinese American Service League, Inc.'s major federal program for the year ended June 30, 2019. Chinese American Service League, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Chinese American Service League, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 Chinese American Service League, 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 the federal program. However, our audit does not provide a legal determination of Chinese American Service League, Inc.'s compliance.

Opinion on Major Federal Program

In our opinion, Chinese American Service League, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Chinese American Service League, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chinese American Service League, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its 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 Chinese American Service League, Inc.'s internal control over compliance.

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

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

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

FGMK, LLC

Bannockburn, Illinois
December 19, 2019

CHINESE AMERICAN SERVICE LEAGUE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors' Results

Financial Statements

The type of report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☒ Yes ☐ NoSignificant deficiencies identified? ☐ Yes ☒ None reportedNoncompliance material to financial statements noted?
☐ Yes ☒ None reported

Federal Awards

Internal control over major programs:

Material weakness (es) identified? ☐ Yes ☒ NoSignificant deficiencies identified? ☐ Yes ☒ 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 Code of Federal Regulations Section 200.516?

☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program
17.235	Senior Community Service Employment Program

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

CHINESE AMERICAN SERVICE LEAGUE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

Finding 2019-001: Classification of contributions and proper accounting for pledge receivables

Criteria: GAAP requires contributions to be recorded at the time when promises are made and properly classified based on donation restrictions.

Condition and Context: For the year ended June 30, 2019, a multi-year pledge of \$40,000 should have been recorded as pledge receivable and contributions with donor restrictions. An audit adjustment was recorded to properly reflect the balances. Approximately \$400,000 was not properly recorded as contributions with donor restrictions and the related releases from restriction were not properly tracked throughout the year.

Cause: Pledges receivable and contributions with donor restrictions were both understated prior to adjustment. The contributions with donor restrictions were not properly recorded.

Effect or Potential Effect: Pledges receivable and contributions with donor restrictions were both understated and contributions with donor restrictions and their corresponding releases were understated. Audit adjustments were required to properly reflect the balances as of June 30, 2019.

Recommendation: Management should design and implement controls to identify and record multi-year pledges as well as contributions with donor restrictions in order to keep the Organization's books and records in accordance with GAAP.

Responsible Official's Response: Management concurs with finding and has established controls that will identify and record multi-year pledges as well as contributions with donor restrictions appropriately. Management has created a tracking sheet to keep track of the additions and releases from restriction for contributions with donor restrictions on a regular basis.

Finding 2019-002: Capitalization of software

Criteria: GAAP requires the software costs that meet the definition of fixed assets should be capitalized.

Condition and Context: Approximately \$165,000 of software costs from 2018 were not properly capitalized and amortized.

Cause: Capitalized assets were understated in 2018.

Effect or Potential Effect: Capitalized assets were understated in 2018. A prior year adjustment was required to properly reflect the balance as of June 30, 2018.

Recommendation: Management should establish the capitalization policy to identify and record and amortize software costs in accordance with GAAP.

Responsible Official's Response: Management concurs with finding and has established the control to identify software costs for capitalization and amortization.

Finding 2019-003: Overstatement of liabilities

Criteria: GAAP requires the liabilities to be properly stated to reflect what was owed on a regular basis.

Condition and Context: Approximately \$374,000 of unemployment benefit liabilities were no longer owed by the Organization since 2017.

Cause: The liabilities were overstated prior to adjustment.

CHINESE AMERICAN SERVICE LEAGUE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect: They were understated and a prior year adjustment was required to properly reflect the balance as of June 30, 2018 and 2017.

Recommendation: Management should establish the policy to identify and review the liabilities periodically in accordance with GAAP.

Responsible Official's Response: Management concurs with finding and has established the control to access proper recording of liabilities.

Section III – Federal Award Findings and Questioned Costs

None noted

Section IV – Summary of Prior Year Audit Findings

None noted.

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

To the Board of Directors of
Chinese American Service League, Inc.

We have audited the financial statements of Chinese American Service League, Inc. as of and for the year ended June 30, 2019, and our report thereon dated December 19, 2019 which expressed an unmodified opinion appears on page 1. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information presented on pages 31 through 36, which is the responsibility of management, is presented for purposes of additional analysis, as well as to comply with certain reporting requirements of the Illinois Department of Human Services, and is not a required part of the basic financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements taken as a whole.

FGMK, LLC

Bannockburn, Illinois
December 19, 2019

DIRECT SERVICE WORKER COST CERTIFICATION
ILLINOIS DEPARTMENT ON AGING

Community Care Program
In-Home Services

Provider Name: Chinese American Service League

Reporting Period July 1, 2018 Thru June 30, 2019

Contract Number(s) Covered: INH1612013

A. <u>Accrued Direct Service Worker Costs</u>		<u>IDOA</u>
1) Wages		\$ 1,978,570
2) Earnfare Wages		
3) Health Insurance Costs (in excess of enhanced rate) **		92,408
4) Life Insurance		0
5) Retirement Coverage		0
6) F.I.C.A.		151,361
7) Uniform		0
8) Worker's Compensation		25,803
9) F.U.T.A.		0
10) Direct Service Worker Travel		7,212
11) Unemployment Insurance		8,133
12) Other Direct Service Worker Costs (approved in advance by the Illinois Department on Aging)		0
13) Total Direct Service Worker Costs		2,263,486
B. <u>Administrative Costs</u>		
1) Salaries and wages		50,405
2) Benefits		11,758
3) Other Personnel Costs		0
4) Consultants		37,620
5) Supplies		5,077
6) Office Equipment (less than \$1,000)		0
7) Depreciation		5,478
8) Telephone		6,932
9) Postage		537
10) Occupancy Costs		2,057
11) Other Administrative Costs		15,681
12) Total Administrative Costs		135,546
C. <u>Program Support Costs</u>		

1)	DSWs' Supervisors' Wages and Salaries	172,111
2)	DSWs' Supervisors' Benefits	35,076
3)	DSEs' Supervisors' Other Personnel Costs	377
4)	Training Expenses	2,559
5)	Malpractice Insurance	0
6)	Other Program Support Costs	1,513
7)	Total Program Support Costs	211,636
D.	<u>Total Costs</u> (A.13 + B.12 + C.7)	2,610,667
E.	<u>Total Revenue Accrued</u>	
1)	IDOA Payments	2,753,013
2)	MCO Income	
	Private Pay	
	Total Revenue	2,753,013
F.	<u>Percentage D.S. Worker Cost to</u> <u>Accrued Revenue</u> (A/E X 100)	82.22%
G.	<u>Profit or Loss</u> (E minus D)	\$ 142,346

I hereby certify that I have examined the above Direct Service Worker Cost Certification for the reporting period indicated and that to the best of my knowledge and belief, it is a true, correct and complete report prepared from the books and records of this agency in accordance with applicable instructions.


Signature of Authorized Agent

Jered Pruitt
Typed Name

Chief Operating Officer
Title of Authorized Agent

Chinese American Service League

2141 S. Tan Court

Chicago, IL 60616
Provider's Name and Address

CHINESE AMERICAN SERVICE LEAGUE, INC.

**STATEMENT OF REVENUES AND EXPENSES
FOR ILLINOIS COALITION FOR IMMIGRANT AND REFUGEE RIGHTS**

IMMIGRANT FAMILY RESOURCE PROGRAM

**Program Name: WIC
YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>
Grant Revenues:		
Government contract received	<u>\$ 22,500</u>	<u>\$ 22,500</u>
Grant Expenditures		
Program Salaries, & Consultants	17,007	16,980
Payroll Taxes & Benefits	<u>3,657</u>	<u>3,684</u>
Total Personnel	20,664	20,664
Other Direct Cost		
Consumable / Supplies	-	-
Staff Development/Conferences	-	-
Printing	-	-
Occupancy	-	-
Miscellaneous	-	-
Conference, Meeting and Training etc.	-	-
Publicity	-	-
Total Direct Cost	<u>20,664</u>	<u>20,664</u>
Indirect Costs	1,836	1,836
Total Expenses	<u>\$ 22,500</u>	<u>\$ 22,500</u>

CHINESE AMERICAN SERVICE LEAGUE, INC.

**STATEMENT OF REVENUES AND EXPENSES
FOR ILLINOIS COALITION FOR IMMIGRANT AND REFUGEE RIGHTS**

**Program Name (SNAP)
YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>
Grant Revenues:		
Government contract received	\$ 30,625	\$ 30,625
Grant Expenditures		
Total Salary	22,955	22,856
Fringe Benefits	4,935	5,022
Total Personnel	<u>27,890</u>	<u>27,878</u>
Other Direct Cost		
Staff Travel	-	-
Staff Development/Conferences	-	-
Space Rental	-	-
Utilities	-	-
Telephone	-	-
Office Supplies	-	-
Equipment Service Contract	-	-
Printing	-	-
Postage	-	-
Meeting Expenses	-	-
Advertising / Subscriptions	-	-
Others	-	-
Total Direct Cost	<u>27,890</u>	<u>27,878</u>
Indirect Costs	2,736	2,747
Total Expenses	<u>\$ 30,625</u>	<u>\$ 30,625</u>

CHINESE AMERICAN SERVICE LEAGUE, INC.

STATEMENT OF REVENUES AND EXPENSES
ILLINOIS DEPARTMENT OF HUMAN SERVICES
FOR ILLINOIS COALITION FOR IMMIGRANT AND REFUGEE RIGHTS

Program: IFRP
YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>
Grant Revenues:		
Government contract received	<u>\$ 102,500</u>	<u>\$ 102,500</u>
Grant Expenditures		
Program Salaries, & Consultants	75,649	75,030
Payroll Taxes & Benefits	<u>16,265</u>	<u>16,963</u>
Total Personnel	91,914	91,993
Other Direct Cost		
Consumable / Supplies	-	-
Staff Development/Conferences	-	-
Printing	-	-
Occupancy	2,352	2,352
Miscellaneous	-	-
Travel	-	-
Conference, Meeting and Training etc.	-	-
Fingerprint Fee	-	-
Total Direct Cost	<u>94,266</u>	<u>94,345</u>
Indirect Costs	8,234	8,155
Total Expenses	<u>\$ 102,500</u>	<u>\$ 102,500</u>

CHINESE AMERICAN SERVICE LEAGUE, INC.

**STATEMENT OF REVENUES AND EXPENSES
ILLINOIS DEPARTMENT OF HUMAN SERVICES
FOR ILLINOIS COALITION FOR IMMIGRANT AND REFUGEE RIGHTS**

**Program: NAI
YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>
Grant Revenues:		
Government contract received	\$ 91,000	\$ 91,000
Grant Expenditures		
Program Salaries, & Consultants	65,843	65,213
Payroll Taxes & Benefits	14,157	14,787
Total Personnel	80,000	80,000
Other Direct Cost		
Consumable / Supplies	-	-
Staff Development/Conferences	-	-
Printing	1,800	1,800
Occupancy	2,352	2,352
Miscellaneous	-	-
Travel	-	-
Conference, Meeting and Training etc.	-	-
Fingerprint Fee	-	-
Total Direct Cost	84,152	84,152
Indirect Costs	6,848	6,848
Total Expenses	\$ 91,000	\$ 91,000

Illinois Grant Accountability and Transparency Act Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / CYEFR

[Add a Program](#) [Certify & Submit](#)

	CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
View	402-00-1452	Community Care Program	3,028,726	0	0	3,028,726
View	402-01-0020	10.555 National School Lunch Program	0	63,618	0	63,618
View	402-01-0021	10.558 Child and Adult Care Food Program	0	2,550	0	2,550
View	444-80-0211	Child Care Resource and Referral Program - Child Care Assistance Program	4,009	0	0	4,009
View	444-80-0668	Supplemental Nutrition Program for Women, Infants and Children - WIC Program	0	22,500	0	22,500
View	444-80-0676	Supplemental Nutrition Assistance Program - SNAP Outreach	0	30,625	0	30,625
View	444-80-1223	Child Care Assistance Program- Site Administered	656,862	0	0	656,862
View	444-80-1456	Immigrant Integration	193,500	0	0	193,500
View	586-00-1534	State Programs - Early Childhood Block Grant	333,277	0	0	333,277
View	586-18-0409	Child and Adult Care Food Program	0	82,508	0	82,508
View	684-01-1625	Adult Education - Basic Grants to States - Federal and State Funding Combined	38,254	58,900	0	97,154
View		Other grant programs and activities		1,880,672	0	1,880,672
View		All other costs not allocated			6,728,001	6,728,001
Totals:			4,254,628	2,141,373	6,728,001	13,124,002

Please note the following:

- The CYEFR may be per-populated with programs based on existing awards in the GATA system. These programs cannot be removed. If no spending occurred in a program leave the amounts at zero.
- Any grant expenditures not associated with funding received through the State of Illinois are to be entered in "Other grant programs and activities". The expenditures must be identified as federal (direct or pass-through) or other funding.
- All other expenditures not associated with state or federal dollars are to be entered in "All other costs not allocated".
- The grand total must account for all expenditures for the fiscal year and must tie to the audited financials.