

ASIAN REHABILITATION SERVICE, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

DRAFT

**ASIAN REHABILITATION SERVICE, INC.
FOR THE YEAR ENDED DECEMBER 31, 2012**

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 10

DRAFT



QUEZADA, WONG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANT

2920 Huntington Drive, Suite 288, San Marino, CA 91108

Tel. 626.286.4800 Fax. 626.286.4808

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Asian Rehabilitation Service, Inc.
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Rehabilitation Service, Inc. (the "Organization") a nonprofit organization, which comprise the statement of financial position as of December 31, 2012, and the related consolidated 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Asian Rehabilitation Service, Inc. as of December 31, 2012, 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.

San Marino, California
April XX, 2015

DRAFT

ASIAN REHABILITATION SERVICE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

Assets

Cash and cash equivalents (Note 3)	\$ 271,612
Accounts receivable	367,513
Property and equipment, net of accumulated depreciation and amortization) (Note 4)	58,837
Prepaid and other assets	<u>94,376</u>
 Total Assets	 <u><u>\$ 792,338</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 143,466
Accrued payroll and related expenses	<u>189,740</u>
 Total liabilities	 <u>333,206</u>

Net Assets

Unrestricted	<u>459,132</u>
 Total net assets	 <u>459,132</u>
 Total Liabilities and Net Assets	 <u><u>\$ 792,338</u></u>

The accompanying notes are an integral part of these financial statements.

ASIAN REHABILITATION SERVICE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Janitorial service income	\$ 2,243,444	\$	\$ 2,243,444
Production income	137,772		137,772
Program service income	1,027,699		1,027,699
Contributions and grants	48,734		48,734
Fundraising income	4,953		4,953
Interest income	94		94
Other income	12,372		12,372
Net assets released from restrictions	158,460	(158,460)	-
Total Support and Revenue	<u>3,633,528</u>	<u>(158,460)</u>	<u>3,475,068</u>
Expenses			
Program services	2,957,942	-	2,957,942
Management and general	472,475	-	472,475
Fundraising	7,616	-	7,616
Total Expenses	<u>3,438,033</u>	<u>-</u>	<u>3,438,033</u>
Change in net assets	195,495	(158,460)	37,035
Net assets, beginning of year	<u>263,637</u>	<u>158,460</u>	<u>422,097</u>
Net assets, end of year	<u>\$ 459,132</u>	<u>\$ -</u>	<u>\$ 459,132</u>

The accompanying notes are an integral part of these financial statements.

**ASIAN REHABILITATION SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 1,625,848	\$ 133,454		\$ 1,759,302
Payroll taxes	122,092	10,022		132,114
Benefits	558,731	45,862		604,593
Total compensation	<u>\$ 2,306,671</u>	<u>\$ 189,338</u>	\$ -	<u>\$ 2,496,009</u>
Auto expenses	1,523	3,860		5,383
Community involvement	-	3,925		3,925
Commission	91,907			91,907
Conference and meetings	-	1,554		1,554
Contracted services	150,927			150,927
Depreciation & amortization (Note 4)	12,154	2,077		14,231
Disposal	2,181	5,296		7,477
Dues and subscriptiong	-	895		895
Equipment repair and rental	2,133	6,158		8,291
Fundraising expenses	-		7,616	7,616
Insurance expenses	30,633	12,948		43,581
Loan fees	-	500		500
Miscellaneous expenses	-	6,942		6,942
Office supplies	2,195	12,035		14,230
Pest control	6,738	1,353		8,091
Printing	-	547		547
Professional services	-	116,631		116,631
Rent	182,800	57,200		240,000
Repair and maintenance	1,688	10,676		12,364
Security and safety	320	1,563		1,883
Supplies	142,682	547		143,229
Taxes and licenses	-	1,596		1,596
Telephone	6,279	8,752		15,031
Training and education	3,940	100		4,040
Uniform	13,171	796		13,967
Utilities	-	27,186		27,186
Total expenses	<u>\$ 2,957,942</u>	<u>\$ 472,475</u>	<u>\$ 7,616</u>	<u>\$ 3,438,033</u>

The accompanying notes are an integral part of these financial statements.

ASIAN REHABILITATION SERVICE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities

Change in net assets	\$ 37,035
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	14,231
(Increase) decrease in assets:	
Accounts receivable	(16,529)
Prepaid expenses and other assets	(24,351)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	26,160
Accrued payroll and related expenses	21,997
Net cash provided by operating activities	<u>58,543</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(16,730)</u>
Net cash used for investing activities	<u>(16,730)</u>

Net increase in cash	41,813
Cash, beginning of year	<u>229,799</u>
Cash, end of year	<u><u>\$ 271,612</u></u>

The accompanying notes are an integral part of these financial statements.

**ASIAN REHABILITATION SERVIC, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 – ORGANIZATION

Asian Rehabilitation Service, Inc. (ARS) is a non-profit corporation organized in 1975 to provide vocation rehabilitation services to handicapped or disadvantaged individual through counseling, education, and job-training programs.

The primary sources of revenue are from production, program, janitorial services, and job training and placement services. Production services include assembling and packaging of final products for other companies. Revenues from program services are fees paid by local and state governmental agencies to ARS for vocational rehabilitation provided to disabled individuals. ARS has three service contracts with the federal government to provide janitorial services to some of the federal buildings located in Los Angeles area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with AICPA Audit and Accounting Guide for Not-for-Profit Organizations.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Basis of Presentation

The accompanying financial statements of the ARS have been presented in accordance with the Auditing and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

Net Assets

The ARS recognizes contributions as revenue in the period received. Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the ARS and changes therein are classified and reported as follows:

Unrestricted net assets. Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets. Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. When a donor's stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The ARS has \$0 temporarily restricted net assets at December 31, 2012.

**ASIAN REHABILITATION SERVIC, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash and Cash Equivalent

ARS considers all short-term instructions with maturity of three months or less (not intended to be a long-term investment) in bank and on hand to be cash and cash equivalent.

Contributions

Contributions are recorded as increases in unrestricted or temporarily restricted net assets. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purposed restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allowance for Bad Debts

ARS considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Furniture, Equipment, and Leasehold Improvements

Acquisition of equipment and leasehold improvements in excess of \$500 are capitalized. Property and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful life of the asset. Leasehold improvements are depreciated over the shorter of the lease terms or the lives of the improvements using the straight-line method. Maintenance, repairs and renewals are charged to expense as incurred. Gains or losses on disposition of property or equipment are included in income.

Estimates

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

**ASIAN REHABILITATION SERVIC, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Income Taxes

The ARS is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In accordance with the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”), the accounting for uncertainties in income taxes recognized in an entity’s financial statements and prescribes a threshold of more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statement. The determination of tax exempt status is considered to be a tax position taken with respect to the provisions of FASB. The ARS does not believe its financial statements include any uncertain tax positions.

NOTE 3 – CASH AND CASH EQUIVALENTS

Total cash and cash equivalents as of December 31, 2012 consisted of the following:

Cash in bank	\$ 271,562
Cash on hand	<u>50</u>
Total Cash and cash equivalent	<u><u>\$ 271,612</u></u>

NOTE 4 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENT

Property and equipment consists of the following at December 31, 2012:

Leasehold improvement	\$ 45,547
Machinery and equipment	567,412
Vehicle / Forklifts	<u>50,988</u>
Total cost	<u>\$ 663,947</u>
Less: accumulated depreciation	<u>(605,110)</u>
Net property and equipment	<u><u>\$ 58,837</u></u>

Total depreciation and amortization expenses for the fiscal year ended December 31, 2012 was \$14,231.

**ASIAN REHABILITATION SERVIC, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 6 – LINE OF CREDIT

ARS has a line of credit from Cathay Bank amounting to \$275,000. The line of credit bears interest at 5.5% and is matured on September 9, 2013. At December 31, 2012, the line of credit has a balance of \$0.

NOTE 6 - COMMITMENTS

Obligations Under Operating Lease

The ARS has entered into two lease agreements for two locations in the City Los Angeles. The lease at 1701 E. Washington Blvd is on month-to-month basis with a monthly lease of \$20,000.

Subsequent to Year 2012, the ARS has entered into an agreement to lease the property located at 1813 E. Washington Blvd., Los Angeles, CA. This three-year lease will expire on September 30, 2016 and with an option to extend for two additional years. The future minimum payments under the lease are as follows:

<u>Year Ending December 31</u>	
2013	44,550
2014	179,310
2015	183,750
2016	140,310
	<u>\$ 547,920</u>

Total rent expenses for the fiscal year ended December 31, 2012 was \$240,000.

NOTE 9 - SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, the ARS evaluated subsequent events through April XX, 2015, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.