

Damar Services, Inc.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2020 and 2019

Damar Services, Inc.

June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Damar Services, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Damar Services, Inc. and its subsidiaries, which comprise the consolidated classified statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Damar Services, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule - classified statement of financial position and consolidating schedule - statement of activities as listed in the table of contents are presented for 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
October 28, 2020

Damar Services, Inc.
Consolidated Classified Statements of Financial Position
June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 12,805,985	\$ 5,359,287
Accounts receivable, net of allowance of \$149,779 and \$192,475, respectively	8,130,525	10,185,473
Pledges receivable, current portion	195,227	125,851
Prepaid expenses and other	1,032,763	1,006,303
Total current assets	<u>22,164,500</u>	<u>16,676,914</u>
Property and Equipment, net	<u>24,558,754</u>	<u>24,425,041</u>
Other Assets		
Pledges receivable, net of current portion	339,278	329,904
Notes receivable	250,000	250,000
Assets whose use is limited by the Board	21,170,993	20,333,214
Deferred compensation investments	355,066	327,770
Long-term investments	17,164,075	16,335,691
Other noncurrent assets	322,930	-
	<u>39,602,342</u>	<u>37,576,579</u>
Total assets	<u>\$ 86,325,596</u>	<u>\$ 78,678,534</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 944,429	\$ 1,588,619
Accrued payroll and related benefits	3,338,989	2,554,887
Accrued health claims	834,177	991,526
Other accrued expenses	146,097	206,800
Total current liabilities	<u>5,263,692</u>	<u>5,341,832</u>
Noncurrent Liabilities - deferred compensation	<u>355,066</u>	<u>327,770</u>
Total liabilities	<u>5,618,758</u>	<u>5,669,602</u>
Net Assets		
Without donor restrictions		
Undesignated	43,839,531	37,662,211
Designated by the Board for endowment	21,170,993	20,333,214
Net assets without donor restrictions	<u>65,010,524</u>	<u>57,995,425</u>
With donor restrictions		
Perpetual in nature	8,820,000	8,820,000
Purpose restrictions	6,759,548	6,106,184
Time-restricted for future periods	116,766	87,323
Net assets with donor restrictions	<u>15,696,314</u>	<u>15,013,507</u>
Total net assets	<u>80,706,838</u>	<u>73,008,932</u>
Total liabilities and net assets	<u>\$ 86,325,596</u>	<u>\$ 78,678,534</u>

Damar Services, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains and Other Support						
Department of Child Services	\$ 33,906,066	\$ -	\$ 33,906,066	\$ 27,922,412	\$ -	\$ 27,922,412
Department of Education	10,307,621	-	10,307,621	10,130,725	-	10,130,725
Medicaid	13,380,402	-	13,380,402	12,936,793	-	12,936,793
Private insurance	5,398,029	-	5,398,029	4,722,311	-	4,722,311
Contractual allowance	(161,879)	-	(161,879)	(207,997)	-	(207,997)
Client revenue	62,830,239	-	62,830,239	55,504,244	-	55,504,244
Other revenue	179,819	-	179,819	230,208	-	230,208
Milk subsidy	366,918	-	366,918	317,359	-	317,359
Management, service and facility fees	133,000	-	133,000	133,000	-	133,000
Contributions	913,029	398,102	1,311,131	2,914,639	4,518,226	7,432,865
Grants	50,000	-	50,000	-	-	-
Net assets released from restrictions	228,618	(228,618)	-	1,023,159	(1,023,159)	-
Total revenues, gains and other support	<u>64,701,623</u>	<u>169,484</u>	<u>64,871,107</u>	<u>60,122,609</u>	<u>3,495,067</u>	<u>63,617,676</u>
Expenses						
Community support	5,185,192	-	5,185,192	5,160,296	-	5,160,296
DCS group homes	3,591,339	-	3,591,339	3,222,417	-	3,222,417
Medicaid group homes	1,304,982	-	1,304,982	1,261,945	-	1,261,945
Open treatment	17,287,730	-	17,287,730	13,415,825	-	13,415,825
Private secure (BASE) services	11,507,537	-	11,507,537	10,675,967	-	10,675,967
Clinical/Community based services	7,868,762	-	7,868,762	6,991,214	-	6,991,214
ABA	7,103,597	-	7,103,597	6,952,554	-	6,952,554
Damar Transportation	21,935	-	21,935	29,029	-	29,029
Pharmacy	88,268	-	88,268	-	-	-
Total program expenses	53,959,342	-	53,959,342	47,709,247	-	47,709,247
Administrative, human resources and training	3,012,516	-	3,012,516	2,875,375	-	2,875,375
Advancement, including fundraising	1,602,975	-	1,602,975	2,508,630	-	2,508,630
Total expenses	<u>58,574,833</u>	<u>-</u>	<u>58,574,833</u>	<u>53,093,252</u>	<u>-</u>	<u>53,093,252</u>
Change in Net Assets Before Other Changes	6,126,790	169,484	6,296,274	7,029,357	3,495,067	10,524,424
Other Changes						
Investment return	890,638	513,323	1,403,961	1,239,905	742,188	1,982,093
Transfer of assets	-	-	-	(107,747)	-	(107,747)
Gain (loss) on disposal of property and equipment	(2,329)	-	(2,329)	82,436	-	82,436
Change in Net Assets	7,015,099	682,807	7,697,906	8,243,951	4,237,255	12,481,206
Net Assets, Beginning of Year	<u>57,995,425</u>	<u>15,013,507</u>	<u>73,008,932</u>	<u>49,751,474</u>	<u>10,776,252</u>	<u>60,527,726</u>
Net Assets, End of Year	<u>\$ 65,010,524</u>	<u>\$ 15,696,314</u>	<u>\$ 80,706,838</u>	<u>\$ 57,995,425</u>	<u>\$ 15,013,507</u>	<u>\$ 73,008,932</u>

Damar Services, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Community Support	DCS Group Homes	Medicaid Group Homes	Open Treatment	Private Secure (BASE) Services	Clinical/Community Based Services	ABA	Damar Transportation	Pharmacy	Facility Operations	Total Program Expenses	Administrative, Human Resources and Training	Advancement, Including Fundraising	Total
Salaries and wages	\$ 2,322,019	\$ 2,400,213	\$ 737,544	\$ 10,110,548	\$ 6,898,334	\$ 4,570,867	\$ 4,205,761	\$ 3,915	\$ -	\$ 2,116,261	\$ 33,365,462	\$ 1,736,635	\$ 814,675	\$ 35,916,772
Health and life insurance	407,345	176,483	52,769	700,278	456,161	370,992	677,374	975	-	340,590	3,182,967	46,000	51,278	3,280,245
Payroll taxes	202,641	166,481	57,179	677,693	514,923	344,371	295,204	32	-	159,806	2,418,330	128,176	45,251	2,591,757
Other employee benefits	89,057	111,609	28,843	419,326	280,768	161,077	224,049	85	-	92,084	1,406,898	62,320	26,641	1,495,859
Employment costs	15,496	15,937	4,897	69,680	47,371	38,803	5,869	-	-	15,089	213,142	98,123	5,386	316,651
Professional fees	1,567,556	5,325	12,444	137,818	79,993	984,084	275,864	-	49,016	50,706	3,162,806	320,888	105,487	3,589,181
Client expenses	-	13,760	86,171	50,409	25,402	-	-	-	-	7,893	183,635	-	-	183,635
Supplies	12,732	47,458	16,061	556,827	174,108	67,083	66,932	-	142	221,582	1,162,925	69,386	-	1,232,311
Food and kitchen supplies	-	62,471	24,819	-	-	14,743	-	-	-	862,664	964,697	3,574	-	968,271
Transportation	59,640	43,456	25,967	81,666	62,216	71,337	11,551	-	-	37,707	393,540	33,864	10,379	437,783
Occupancy costs	321,209	267,042	114,612	1,121,994	727,793	559,003	603,744	4,610	24,308	435,439	4,179,754	90,609	117,608	4,387,971
Repair and maintenance	40,557	34,636	39,024	307,688	223,475	8,208	113,097	(103)	6,347	142,552	915,481	97,211	1,503	1,014,195
Depreciation	42,688	53,496	42,509	897,396	535,528	114,261	320,439	12,142	8,455	147,588	2,174,502	194,963	46,875	2,416,340
Other	-	-	-	-	-	-	-	-	-	-	-	3,054	-	3,054
Total direct expenses	5,080,940	3,398,367	1,242,839	15,131,323	10,026,072	7,304,829	6,799,884	21,656	88,268	4,629,961	53,724,139	2,884,803	1,225,083	57,834,025
Facility operations	85,037	172,219	52,920	2,085,694	1,423,050	327,968	300,502	279	-	(4,629,961)	(182,292)	124,083	58,209	-
Marketing	19,215	20,753	9,223	70,713	58,415	235,965	3,211	-	-	-	417,495	3,630	319,683	740,808
	<u>\$ 5,185,192</u>	<u>\$ 3,591,339</u>	<u>\$ 1,304,982</u>	<u>\$ 17,287,730</u>	<u>\$ 11,507,537</u>	<u>\$ 7,868,762</u>	<u>\$ 7,103,597</u>	<u>\$ 21,935</u>	<u>\$ 88,268</u>	<u>\$ -</u>	<u>\$ 53,959,342</u>	<u>\$ 3,012,516</u>	<u>\$ 1,602,975</u>	<u>\$ 58,574,833</u>

Damar Services, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Community Support	DCS Group Homes	Medicaid Group Homes	Open Treatment	Private (BASE) Services	Clinical/Community Services	ABA	Damar Transportation	Facility Operations	Total Program Expenses	Administrative, Resources and Training	Advancement, Including Fundraising	Total
Salaries and wages	\$ 2,059,983	\$ 2,019,628	\$ 717,438	\$ 7,374,458	\$ 6,093,216	\$ 3,936,402	\$ 4,162,963	\$ 2,979	\$ 1,821,391	\$ 28,188,458	\$ 1,705,796	\$ 1,240,875	\$ 31,135,129
Health and life insurance	402,476	204,980	39,629	701,640	544,677	413,186	639,548	1,193	359,499	3,306,828	46,260	54,220	3,407,308
Payroll taxes	152,849	151,329	52,044	542,087	450,009	282,120	311,180	222	134,080	2,075,920	121,910	40,747	2,238,577
Other employee benefits	136,735	127,204	34,426	384,455	321,049	137,587	285,683	179	100,516	1,527,834	51,863	28,859	1,608,556
Employment costs	17,825	17,045	6,221	70,935	57,777	46,416	7,366	-	19,155	242,740	120,623	10,249	373,612
Professional fees	1,798,640	1,389	16,177	122,662	70,216	711,130	256,450	-	44,456	3,021,120	300,321	114,887	3,436,328
Client expenses	-	12,611	85,798	40,806	27,016	-	-	-	4,815	171,046	-	-	171,046
Supplies	12,814	36,328	17,962	519,452	161,502	68,287	77,706	-	176,355	1,070,406	31,829	300,710	1,402,945
Food and kitchen supplies	-	56,889	26,647	-	-	15,913	-	-	739,101	838,550	-	-	838,550
Transportation	88,667	45,743	31,620	75,700	67,555	89,919	23,019	-	42,305	464,528	32,689	9,198	506,415
Occupancy costs	289,648	248,505	92,192	924,202	702,530	537,738	576,339	5,582	353,630	3,730,366	83,578	135,478	3,949,422
Repair and maintenance	63,694	71,971	26,952	235,542	233,798	6,463	117,451	-	122,082	877,953	77,921	2,780	958,654
Depreciation	36,196	49,016	48,340	681,253	492,642	103,071	245,968	18,739	136,324	1,811,549	170,284	50,299	2,032,132
Other	-	-	-	-	-	-	-	-	-	-	3,759	-	3,759
Total direct expenses	5,059,527	3,042,638	1,195,446	11,673,192	9,221,987	6,348,232	6,703,673	28,894	4,053,709	47,327,298	2,746,833	1,988,302	52,062,433
Facility operations	81,071	150,232	53,367	1,659,055	1,370,810	292,813	227,035	135	(4,053,709)	(219,191)	126,887	92,304	-
Marketing	19,698	29,547	13,132	83,578	83,170	350,169	21,846	-	-	601,140	1,655	428,024	1,030,819
	<u>\$ 5,160,296</u>	<u>\$ 3,222,417</u>	<u>\$ 1,261,945</u>	<u>\$ 13,415,825</u>	<u>\$ 10,675,967</u>	<u>\$ 6,991,214</u>	<u>\$ 6,952,554</u>	<u>\$ 29,029</u>	<u>\$ -</u>	<u>\$ 47,709,247</u>	<u>\$ 2,875,375</u>	<u>\$ 2,508,630</u>	<u>\$ 53,093,252</u>

Damar Services, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 7,697,906	\$ 12,481,206
Items not requiring (providing) cash		
Depreciation and amortization	2,419,054	2,032,132
(Gain) loss on disposal of equipment	2,329	(82,436)
Donation of land	-	(2,270,000)
Realized and unrealized gains on investments	(224,348)	(648,069)
Changes in		
Accounts receivable	2,054,948	(1,570,906)
Pledges receivable	(78,750)	(277,213)
Prepaid expenses	(26,460)	26,567
Accounts payable	(644,190)	394,825
Accrued expenses	566,050	579,764
Net cash provided by operating activities	11,766,539	10,665,870
Investing Activities		
Proceeds from sale of property and equipment	-	215,187
Purchases of investments	(1,425,970)	(4,592,214)
Purchases of property and equipment	(2,552,382)	(6,763,370)
Cash paid for Pharmacy	(325,644)	-
Net cash used in investing activities	(4,303,996)	(11,140,397)
Change in Cash	7,462,543	(474,527)
Cash, Beginning of Year	6,927,778	7,402,305
Cash, End of Year	\$ 14,390,321	\$ 6,927,778

Cash on the consolidated statements of cash flows consist of the following:

	2020	2019
Cash	\$ 12,805,985	\$ 5,359,287
Board-designated endowment funds for future needs	82,452	82,452
Long-term investments	1,501,884	1,486,039
	\$ 14,390,321	\$ 6,927,778

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Damar Services, Inc. (Damar Services) is a not-for-profit organization whose mission and principal activities are to provide residential, educational, therapeutic and community support for children, adolescents and adults with developmental disabilities that promote the fullest possible individual potential while preparing them to live as independently as possible in their chosen community. In addition to on-campus residential care, Damar Services provides a full continuum of support to individuals with developmental disabilities in their own communities that include behavioral health services, group home services and supportive living services.

Damar Services' residential revenues and other support are derived principally from the Indiana Department of Child Services, the Indiana Department of Education, and other agencies for the care of individuals at the Decatur Boulevard Campus and in-transition homes located in Indiana. These revenues are based on a per diem rate. Effective January 1, 2012, the rate is tied to a cost setting methodology. Previously, the rate was set by Damar Services based on actual operational costs and was adjusted annually.

Principles of Consolidation

The consolidated financial statements include the accounts of Damar Services, Inc.; Damar Specialized Services, LLC (ABA); Damar Transportation, LLC (Transportation); Damar Foundation, Inc. (Foundation); Damar Support Services, LLC (Support Services); Damar Pharmacy Services, LLC (Pharmacy), which are collectively referred to as Organization. ABA was organized to create individualized treatment plans for children with autism by utilizing applied behavior analysis. ABA is covered under many Indiana-based insurance plans and a significant portion of its revenue comes from Medicaid. The sole member of ABA is Damar Services, Inc. Transportation was organized to manage the Organization's vehicles. Transportation generates its revenues by leasing vehicles to Damar Services, Inc. Transportation is a wholly owned subsidiary of Damar Services, Inc. Foundation was organized to manage the Organization's investments along with its facilities and includes the fundraising efforts on behalf of Damar Services, Inc. Foundation generates its revenues by leasing facilities to Damar Services, Inc., along with investment returns. Foundation is a supporting organization to Damar Services, Inc. Support Services was organized to provide support for services relating to the behavioral care of youths with special needs. Significantly all of its revenue comes from Medicaid. The sole member of Support Services is Damar Services, Inc. Pharmacy was purchased in order to administer necessary medication to the clients of the Organization. The sole member of Pharmacy is Damar Services, Inc.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Use of Estimates

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

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are considered to be cash and cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$13,900,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value, less direct investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction is satisfied in the same year is recorded as net assets with donor restriction and then released from restriction. Other investment return is reflected in the consolidated statements of activities as unrestricted or donor restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Notes Receivable

Notes receivable are stated at their estimated fair value, which includes an allowance for uncollectible notes. The Organization provides an allowance for uncollectible notes when necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

On June 1, 2017, the Organization sold a business line and received a \$500,000 note receivable as partial consideration for the sale. Under the terms of the note, the principal balance was reduced to approximately \$280,000, effective December 1, 2017. Management has estimated the fair value of the note to be \$250,000 as of June 30, 2020 and 2019. The note bears interest at a rate of prime plus 3.25 percent. The note matures on June 1, 2027. The note is secured by a guaranty signed by the third party.

Assets Whose Use is Limited by the Board

The Organization has adopted a policy of transferring funds in excess of current needs to a separate, board-designated investment fund in order to prepare the Organization for future significant maintenance, reconstruction of facilities and program needs. Further, some donor restricted contributions are deposited into the above referenced investment fund.

Accounts Receivable

The accounts receivable balance represents the unpaid amounts billed to clients and third-party payers. Contractual adjustments, discounts and an allowance for doubtful accounts are recorded to report receivables for services at net realizable value. Past due receivables are determined based on contractual terms. The Organization does not accrue interest on any of its accounts receivable.

The allowance for doubtful accounts is determined by management based on the Organization's historical losses, specific customer circumstances and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

Property and Equipment

Property and equipment is depreciated on a straight-line basis over the estimated useful life of each asset. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Vehicles	4 - 10
Furniture and equipment	2 - 25
Buildings and improvements	5 - 40
Land improvements	5 - 40

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Self-Insurance

The Organization maintains a self-funded medical insurance plan covering medical-related benefits for its employees. The plan includes individual and group stop loss insurance. The individual stop loss limit is \$150,000 and the group total is \$4,348,000. Claims payable at June 30, 2020 and 2019 amounted to \$834,177 and \$991,526, respectively. This estimate is based on total costs incurred and not paid and projected amount of claims not yet reported to the Organization as of year-end, as well as premiums paid for the coverage and administrative charges paid to the provider; therefore, actual claims outstanding for June 30, 2020 could differ significantly.

The Organization participates in a high deductible workers compensation plan with a minimum maximum loss content amount of \$2,340,000 and a single accident employer liability loss retention of \$250,000. The plan required a front loaded schedule to fund the \$550,000 and \$575,000 annual cash collateral that will be used to pay claims, during 2021 and 2020, respectively. At June 30, 2020 and 2019, the required cash funding exceeded the estimated claims payable, therefore, no claims payable is reflected on the consolidated classified statement of financial position as of year-end. This estimate is based on the Organization's claims history and projected amount of claims not yet reported to the Organization as of year-end; therefore, actual claims outstanding for June 30, 2020 could differ significantly.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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Contributions

Contributions are provided to Damar either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated 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 restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from donor restriction. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restriction unless explicit donor stipulations specify how such assets must be used in which case, the gifts are reported as revenue and net assets with donor restrictions.

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In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense or asset in its consolidated financial statements, and similarly increase contribution revenue by the same amount. For the year ended June 30, 2019, \$2,270,000 was received in in-kind contributions in the form of land, but no such contributions were recognized for the year ended June 30, 2020.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

Damar Services (including Transportation, ABA, Support Services, and Pharmacy) and Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, they are subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, general and administrative and fundraising categories based on the actual expenditures and personnel cost allocations estimated by the Organization's management.

Future Accounting Standards

In fiscal year 2021, the Organization will adopt ASU 2014-09, *Revenue from Contracts with Customers*, which applies to all contracts with customers, other than those within the scope of other standards, such as leases, insurance, financing arrangements, financial instruments and guarantees. The core principle of the new model is that an entity would recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive.

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In fiscal year 2023, the Organization will adopt ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months.

The Organization has not yet determined the impact of these new standards on their consolidated financial statements; however, they could have a material future impact.

Subsequent Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through October 28, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2020, Damar adopted the accounting guidance within ASU 2018-08, *Not-for-Profit Entities: Topic 958 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance on determining whether a transaction is a contribution or an exchange transaction. The Organization adopted this guidance on a modified prospective basis, which resulted in no material changes within the consolidated financial statements.

Note 3: Accounts Receivable

Accounts receivable consist of the following:

	2020	2019
Department of Child Services	\$ 4,061,740	\$ 5,011,806
Department of Education	1,607,813	1,917,658
Medicaid	897,727	1,467,359
Damar Charter School, Inc.	332,241	266,049
Third-party insurers for ABA services	971,473	1,228,354
Due from self-insured workers compensation plan administrator	391,479	365,717
DMH - DARS and other receivables	17,831	121,005
	<u>8,280,304</u>	<u>10,377,948</u>
Allowance for uncollectible accounts	<u>(149,779)</u>	<u>(192,475)</u>
	<u>\$ 8,130,525</u>	<u>\$ 10,185,473</u>

Damar Services, Inc.
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Note 4: Pledges Receivable

Pledges receivable at June 30, 2020 and 2019 are unconditional promises to give from various donors.

The following is the detail of the pledges receivable balances at June 30:

	2020	2019
Due within one year	\$ 195,227	\$ 125,851
Due in one to five years	<u>375,507</u>	<u>365,172</u>
	570,734	491,023
Discount	(13,034)	(12,688)
Allowance	<u>(23,195)</u>	<u>(22,580)</u>
	<u>\$ 534,505</u>	<u>\$ 455,755</u>

The discount rate was 5% for 2020 and 2019.

Note 5: Cash, Investments and Investment Return

Board-designated endowment fund (assets whose use is limited by the Board) for future needs at June 30 consisted of the following:

	2020	2019
Cash	\$ 82,452	\$ 82,452
Investments	<u>21,088,541</u>	<u>20,250,762</u>
	<u>\$ 21,170,993</u>	<u>\$ 20,333,214</u>

Long-term investments at June 30 consisted of the following:

	2020	2019
Cash	\$ 1,501,884	\$ 1,486,039
Investments	<u>15,662,191</u>	<u>14,849,652</u>
	<u>\$ 17,164,075</u>	<u>\$ 16,335,691</u>

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Total investments at June 30 consisted of the following:

	2020	2019
Short-term holdings	\$ 6,732,722	\$ 6,566,550
Corporate stocks		
Domestic	1,465,845	1,547,103
International	46,573	105,123
Equity mutual funds		
Small and mid cap	2,142,393	2,222,225
Large cap	11,676,824	9,896,270
International	4,636,103	4,735,781
Fixed income mutual funds		
Short-term bond	2,757,570	2,653,181
Intermediate-term bond	6,658,543	6,787,486
Inflation-protected bond	634,159	586,695
	<u>\$ 36,750,732</u>	<u>\$ 35,100,414</u>

The following schedule summarizes the investment return for the years ended June 30:

	2020	2019
Dividends and interest	\$ 1,179,613	\$ 1,334,024
Realized and unrealized gains on investments	224,348	648,069
	<u>\$ 1,403,961</u>	<u>\$ 1,982,093</u>

Note 6: Property and Equipment

Property and equipment at June 30 consists of:

	2020	2019
Land	\$ 4,957,215	\$ 4,815,715
Land improvements	7,071,278	7,066,551
Buildings and improvements	32,310,888	26,838,797
Furniture and equipment	7,698,824	6,682,065
Vehicles	319,067	262,998
Construction in progress	905,278	5,125,758
	<u>53,262,550</u>	<u>50,791,884</u>
Less accumulated depreciation	<u>(28,703,796)</u>	<u>(26,366,843)</u>
	<u>\$ 24,558,754</u>	<u>\$ 24,425,041</u>

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Note 7: Revolving Line of Credit

The Organization entered into a \$6,000,000 revolving bank line of credit expiring in October 2021. At June 30, 2020 and 2019, there were no borrowings against this line. The line is secured by real estate. Interest varies with the daily LIBOR rate plus 2.25%, which was 2.41% and 4.61% at June 30, 2020 and 2019, respectively, and is payable monthly. The agreement is subject to a financial minimum liquidity covenant.

Note 8: Deferred Compensation

In October 2002, the Organization established a deferred compensation plan for a member of management under Section 457 of the Internal Revenue Code. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. Benefits under the plan are limited to actual contributions to the plan plus earnings thereon. There were contributions of \$0 and \$0 into this plan for the years ended June 30, 2020 and 2019.

In November 2012, the Organization established a deferred compensation plan for Executive staff only under Section 457 of the Internal Revenue Code. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. Benefits under the plan are limited to actual contributions to the plan plus earnings thereon. Contributions for this plan for the years ended June 30, 2020 and 2019 were \$59,500 and \$36,000, respectively.

Note 9: Net Assets

During 2018, the Organization received a sustainability grant from Lilly Endowment, Inc. (LEI) for \$10 million. The grant included \$8,570,000 to establish an endowment, which will remain in net assets with donor restrictions in perpetuity. Investment earnings on the endowment portion are available to continue to fund the original purpose of the grant, subject to spending rate policies described in Note 10. The remaining \$1,430,000 of the grant was purpose restricted for strategic initiatives of the Organization, with the final \$823,640 being released during fiscal year 2019.

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Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose		
Residential special needs	\$ 117,710	\$ 260,080
Capital and equipment	5,021,135	4,655,034
Endowment earnings restricted for the pool	399,380	376,452
Operating endowment accumulated earnings	1,137,910	714,332
Organizational development	83,413	100,286
	6,759,548	6,106,184
 Subject to the passage of time		
Timing	116,766	87,323
 Endowments		
Investment in perpetuity, the income of which is expendable to support:		
Operations	8,570,000	8,570,000
Pool construction and maintenance	250,000	250,000
	8,820,000	8,820,000
	\$ 15,696,314	\$ 15,013,507

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2020	2019
Undesignated	\$ 43,839,531	\$ 37,662,211
Designated by the Board for endowment	21,170,993	20,333,214
	\$ 65,010,524	\$ 57,995,425

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Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2020	2019
Expiration of time restrictions		
Christmas	\$ 27,550	\$ 34,744
Golf outing	937	30,315
Satisfaction of purpose restrictions		
Residential special needs	195,250	130,460
Capital and equipment	-	2,163
Organizational development	4,881	825,477
	\$ 228,618	\$ 1,023,159

Note 10: Endowment

The Organization's endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as purpose-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

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In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30, 2020 and 2019 was:

	Without Donor Restrictions	2020 With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount that must be maintained in perpetuity	\$ -	\$ 8,820,000	\$ 8,820,000
Accumulated investment earnings	-	1,537,290	1,537,290
Board-designated endowment funds	21,170,993	-	21,170,993
Total endowment funds	\$ 21,170,993	\$ 10,357,290	\$ 31,528,283
	Without Donor Restrictions	2019 With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount that must be maintained in perpetuity	\$ -	\$ 8,820,000	\$ 8,820,000
Accumulated investment earnings	-	1,090,784	1,090,784
Board-designated endowment funds	20,333,214	-	20,333,214
Total endowment funds	\$ 20,333,214	\$ 9,910,784	\$ 30,243,998

Damar Services, Inc.
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Changes in endowment net assets for the years ended June 30, 2020 and 2019 were:

	Without Donor Restrictions	2020 With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 20,333,214	\$ 9,910,784	\$ 30,243,998
Appropriation of assets for expenditure	-	(4,890)	(4,890)
Investment return			
Investment income	696,079	359,865	1,055,944
Net realized and unrealized gains	141,700	91,531	233,231
Total investment return	837,779	451,396	1,289,175
Endowment net assets, end of year	\$ 21,170,993	\$ 10,357,290	\$ 31,528,283

	Without Donor Restrictions	2019 With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 19,141,464	\$ 9,253,384	\$ 28,394,848
Appropriation of assets for expenditure	-	(19,671)	(19,671)
Investment return			
Investment income	833,830	385,982	1,219,812
Net realized and unrealized gains	357,920	291,089	649,009
Total investment return	1,191,750	677,071	1,868,821
Endowment net assets, end of year	\$ 20,333,214	\$ 9,910,784	\$ 30,243,998

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Investment and Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize the long-term return of financial assets consistent with the fiduciary standards of a prudent investor. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that equal or exceed, over a three to five year horizon, the return of a balanced index comprised of the S&P 500 and the Summit Barclays Capital Aggregate Bond Index, in similar proportion to the portfolios' targeted asset mix. The Organization expects its endowment funds to provide long-term returns that exceed the S&P 500 returns.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization evaluates and considers strategic plans and whether they should appropriate endowment earnings for expenditures on an annual basis. The Organization has no formal policy, and board approval is required to appropriate endowment earnings for spending as it relates to the board-designated endowment fund, which is without donor restrictions.

The Organization has a policy (the spending policy) of appropriating for expenditure each year, between 4% and 5% of its endowment fund with donor restrictions average fair value as of December 31 based on the previous three-years rolling average, provided the fair value of the endowment is greater than the historical dollar. If the fair value of the endowment is less than the historical dollar value, the Organization has a policy to limit spending to 2%. Additionally, if the appropriation for the current year expenditure would reduce the fair value of the endowment to less than the historical dollar value, the Organization has a policy to limit spending to the greater of the excess of the fair value over the historical dollar value or 2%. In establishing this policy, the Organization considered the long-term expected return on its endowment.

The Organization reinvests the investment return each year. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	2020	2019
Total financial assets	<u>\$ 60,161,149</u>	<u>\$ 52,667,286</u>
Donor imposed restrictions:		
Restricted funds	5,339,024	5,102,723
Endowments	<u>10,357,290</u>	<u>9,910,784</u>
Net financial assets with donor imposed restrictions	<u>15,696,314</u>	<u>15,013,507</u>
Internal designations:		
Board-designated endowment funds	21,170,993	20,333,214
Designated deferred compensation funds	<u>355,066</u>	<u>327,770</u>
	<u>21,526,059</u>	<u>20,660,984</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 22,938,776</u></u>	<u><u>\$ 16,992,795</u></u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use which are restricted to the spending policy as described in Note 10. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$21,170,993 and \$20,333,214 at June 30, 2020 and 2019, respectively, is subject to board approval to utilize. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$6,000,000, which it could draw upon.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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Note 12: Damar Charter School

On August 16, 2011, the Damar Charter School, Inc. d/b/a Damar Charter Academy (DCA) signed an agreement with The Mayor of Indianapolis to begin operations as a public charter school. Although open to all Indiana students, this K thru 12 public school predominantly has children with developmental disabilities or learning disabilities enrolled as students.

The DCA was formed as a separate 501(c)(3) under the Internal Revenue Service Code. Concurrently, on August 16, 2011, the DCA and the Organization signed the Charter School Service Contract. In effect, this contract authorizes the Organization to provide all educational services to the DCA to include curriculum, instruction, employees, physical facilities, financial and all other facets required to run a public school. In a separate agreement on the same date, the DCA leased space on the Organization's campus for school buildings until the lease was terminated on March 31, 2013. On April 1, 2013, DCA relocated to a new facility outside of the campus. In essence, the Organization assumes complete responsibility for the success of the school to include any financial gains or losses. Termination clauses for both DCA and the Organization are included in the contract.

The DCA is governed by an independent board of directors whose members include five elected directors, three Organization board directors and one Organization staff director. The DCA has only one employee, which is the Organization's President and Chief Executive Officer.

All administrative expenses incurred by DCA are paid by the Organization and subsequently reimbursed by the DCA. As of June 30, 2020 and 2019, the Organization had \$322,241 and \$266,049 in related party receivables from DCA, which are included within accounts receivable within the consolidated statements of financial position. Management fees shown in the consolidated statements of activities billed to DCA were \$133,000 for 2020 and 2019.

Note 13: Operating Leases

The Organization leases office equipment, homes for clients and vehicles. The vehicle lease terms are generally for three years. The home leases are for two years and equipment leases range from three to five years. Rental expense included in the consolidated statements of activities was \$254,930 and \$264,984 for 2020 and 2019, respectively.

Future minimum lease payments at June 30 were:

2021	\$ 442,953
2022	177,588
2023	<u>40,547</u>
	<u><u>\$ 661,088</u></u>

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Note 14: Pension Plans

The Organization has a defined-contribution pension plan covering all employees who have reached the age of 21 and who have completed one year of eligible service. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. The pension contribution was \$620,000 and \$500,000 for the years ended June 30, 2020 and 2019.

The Organization also maintains a 403(b) plan that is open to all employees. The plan allows for employee contributions only, subject to Internal Revenue Code restrictions as to annual deferral amounts. The 403(b) plan was frozen effective July 1, 2017 to all contributions being deposited to the plan. Eligible participants began contributing to the newly formed Damar Services, Inc. 401(k) Retirement Plan. Defined-contribution pension plan assets were rolled over to the new 401(k) plan. The Organization's annual employer contribution are now deposited into the new 401(k) plan.

Note 15: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value	2020 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Short-term holdings	\$ 6,732,722	\$ 6,732,722	\$ -	\$ -
Corporate stock				
Domestic	1,465,845	1,465,845	-	-
International	46,573	46,573	-	-
Equity mutual funds				
Small and mid cap	2,142,393	2,142,393	-	-
Large cap	11,676,824	11,676,824	-	-
International	4,636,103	4,636,103	-	-
Fixed income mutual funds				
Short-term bond	2,757,570	2,757,570	-	-
Intermediate-term bond	6,658,543	6,658,543	-	-
Inflation-protected bond	634,159	634,159	-	-
Total investments	<u>36,750,732</u>	<u>36,750,732</u>	<u>-</u>	<u>-</u>
Deferred compensation investments				
Equity mutual funds	355,066	355,066	-	-
Note receivable	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 37,355,798</u>	<u>\$ 37,105,798</u>	<u>\$ -</u>	<u>\$ 250,000</u>

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	2019			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Short-term holdings	\$ 6,566,550	\$ 6,566,550	\$ -	\$ -
Corporate stock				
Domestic	1,547,103	1,547,103	-	-
International	105,123	105,123	-	-
Equity mutual funds				
Small and mid cap	2,222,225	2,222,225	-	-
Large cap	9,896,270	9,896,270	-	-
International	4,735,781	4,735,781	-	-
Fixed income mutual funds				
Short-term bond	2,653,181	2,653,181	-	-
Intermediate-term bond	6,787,486	6,787,486	-	-
Inflation-protected bond	586,695	586,695	-	-
Total investments	<u>35,100,414</u>	<u>35,100,414</u>	<u>-</u>	<u>-</u>
Deferred compensation investments				
Equity mutual funds	327,770	327,770	-	-
Note receivable	250,000	-	-	250,000
	<u>\$ 35,678,184</u>	<u>\$ 35,428,184</u>	<u>\$ -</u>	<u>\$ 250,000</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated classified statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

Investments and Deferred Compensation Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

The Organization's short-term holdings consists of money market mutual funds that primarily invests in U.S. Treasury obligations and commercial paper.

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Level 3 Valuation Process

Fair value determinations for Level 3 measurements of assets are the responsibility of management. Management generates fair value estimates on a quarterly basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Note Receivable

The fair value is estimated using the present value of future payments to be received and is adjusted for estimated loss contingency payments. Therefore, it is classified within Level 3 of the valuation hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Note Receivable
Balance, July 1, 2018	\$ 250,000
Valuation change	-
Balance, June 30, 2019	250,000
Valuation change	-
Balance, June 30, 2020	\$ 250,000

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2020 and 2019.

	Fair Value at July 31, 2020	2019	Valuation Technique	Unobservable Inputs	Range
Note receivable	\$ 250,000	\$ 250,000	Present value of future payments to be received	Credit worthiness of debtor	0%

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 15% of all contributions were received from one donor in 2020. In 2019, approximately 83% of all contributions were received from two donors.

Service Revenue

Due to the nature of the services provided by the Organization for developmentally disabled individuals, approximately 89% and 83% of client revenue was received from a combination of Medicaid, Indiana Department of Child Services and the Department of Education for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, Medicaid, Indiana Department of Child Services and the Department of Education made up approximately 80% and 81%, respectively, of the accounts receivable balances.

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Supplementary Information

Damar Services, Inc.

Consolidating Schedule - Classified Statement of Financial Position

June 30, 2020

Assets

	Damar Services	ABA	Damar Transportation	Damar Foundation	Damar Support Services	Pharmacy	Eliminations	Total
Current Assets								
Cash	\$ 8,786,506	\$ 1,268,798	\$ -	\$ 1,687,204	\$ 1,063,477	\$ -	\$ -	\$ 12,805,985
Accounts receivable, net	7,409,533	952,476	-	112,611	-	-	(344,095)	8,130,525
Pledges receivable, current portion	11,000	-	-	184,227	-	-	-	195,227
Prepaid expenses and other	973,792	-	-	58,971	-	-	-	1,032,763
Total current assets	<u>17,180,831</u>	<u>2,221,274</u>	<u>-</u>	<u>2,043,013</u>	<u>1,063,477</u>	<u>-</u>	<u>(344,095)</u>	<u>22,164,500</u>
Property and Equipment, net	<u>8,741,650</u>	<u>399,332</u>	<u>67,759</u>	<u>15,350,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,558,754</u>
Other Assets								
Pledges receivable, net of current portion	27,707	-	-	311,571	-	-	-	339,278
Note receivable	250,000	-	-	-	-	-	-	250,000
Assets whose use is limited by the Board	82,452	-	-	21,088,541	-	-	-	21,170,993
Deferred compensation investments	355,066	-	-	-	-	-	-	355,066
Long-term investments	1,501,884	-	-	15,662,191	-	-	-	17,164,075
Other non-current assets	322,930	-	-	-	-	-	-	322,930
	<u>2,540,039</u>	<u>-</u>	<u>-</u>	<u>37,062,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,602,342</u>
Total assets	<u>\$ 28,462,520</u>	<u>\$ 2,620,606</u>	<u>\$ 67,759</u>	<u>\$ 54,455,329</u>	<u>\$ 1,063,477</u>	<u>\$ -</u>	<u>\$ (344,095)</u>	<u>\$ 86,325,596</u>

Liabilities and Net Assets

Current Liabilities								
Accounts payable	\$ 1,057,040	\$ -	\$ 74,476	\$ 65,940	\$ -	91,068	\$ (344,095)	\$ 944,429
Accrued payroll and related benefits	3,338,989	-	-	-	-	-	-	3,338,989
Accrued health claims	834,177	-	-	-	-	-	-	834,177
Other accrued expenses	146,097	-	-	-	-	-	-	146,097
Total current liabilities	<u>5,376,303</u>	<u>-</u>	<u>74,476</u>	<u>65,940</u>	<u>-</u>	<u>91,068</u>	<u>(344,095)</u>	<u>5,263,692</u>
Noncurrent Liabilities - deferred compensation								
Total liabilities	<u>5,731,369</u>	<u>-</u>	<u>74,476</u>	<u>65,940</u>	<u>-</u>	<u>91,068</u>	<u>(344,095)</u>	<u>5,618,758</u>
Net Assets								
Without donor restrictions								
Undesignated	22,426,494	2,620,606	(6,717)	17,826,739	1,063,477	(91,068)	-	43,839,531
Designated by the Board for endowment	82,452	-	-	21,088,541	-	-	-	21,170,993
Net assets without donor restrictions	<u>22,508,946</u>	<u>2,620,606</u>	<u>(6,717)</u>	<u>38,915,280</u>	<u>1,063,477</u>	<u>(91,068)</u>	<u>-</u>	<u>65,010,524</u>
With donor restrictions								
Perpetual in nature	-	-	-	8,820,000	-	-	-	8,820,000
Purpose restrictions	222,205	-	-	6,537,343	-	-	-	6,759,548
Time-restricted for future periods	-	-	-	116,766	-	-	-	116,766
Net assets with donor restrictions	<u>222,205</u>	<u>-</u>	<u>-</u>	<u>15,474,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,696,314</u>
Total net assets	<u>22,731,151</u>	<u>2,620,606</u>	<u>(6,717)</u>	<u>54,389,389</u>	<u>1,063,477</u>	<u>(91,068)</u>	<u>-</u>	<u>80,706,838</u>
Total liabilities and net assets	<u>\$ 28,462,520</u>	<u>\$ 2,620,606</u>	<u>\$ 67,759</u>	<u>\$ 54,455,329</u>	<u>\$ 1,063,477</u>	<u>\$ -</u>	<u>\$ (344,095)</u>	<u>\$ 86,325,596</u>

Damar Services, Inc.

Consolidating Schedule - Statement of Activities

Year Ended June 30, 2020

	Damar Services			ABA	Damar Transportation	Damar Foundation			Damar Support Services	Pharmacy	Eliminations	Total
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction		
Revenues, Gains and Other Support												
Department of Child Services	\$ 33,906,066	\$ -	\$ 33,906,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,906,066
Department of Education	10,307,621	-	10,307,621	-	-	-	-	-	-	-	-	10,307,621
Medicaid	5,093,575	-	5,093,575	5,819,503	-	-	-	-	2,467,324	-	-	13,380,402
Private insurance	1,113,843	-	1,113,843	4,284,186	-	-	-	-	-	-	-	5,398,029
Contractual allowance	22,591	-	22,591	(184,470)	-	-	-	-	-	-	-	(161,879)
Client revenue	50,443,696	-	50,443,696	9,919,219	-	-	-	-	2,467,324	-	-	62,830,239
Other revenue	1,226,002	-	1,226,002	634	210,142	1,593,615	-	1,593,615	-	-	(2,850,574)	179,819
Milk subsidy	366,918	-	366,918	-	-	-	-	-	-	-	-	366,918
Management, service and facility fees	133,000	-	133,000	-	-	-	-	-	-	-	-	133,000
Contributions	223,098	81,391	304,489	-	-	949,498	316,711	1,266,209	-	-	(259,567)	1,311,131
Grants	50,000	-	50,000	-	-	-	-	-	-	-	-	50,000
Net assets released from restrictions	77,182	(77,182)	-	-	-	151,436	(151,436)	-	-	-	-	-
Total revenues, gains and other support	52,519,896	4,209	52,524,105	9,919,853	210,142	2,694,549	165,275	2,859,824	2,467,324	-	(3,110,141)	64,871,107
Expenses												
Community support	2,996,108	-	2,996,108	-	-	-	-	-	2,189,084	-	-	5,185,192
DCS group homes	3,591,339	-	3,591,339	-	-	10,309	-	10,309	-	-	(10,309)	3,591,339
Medicaid group homes	1,304,982	-	1,304,982	-	-	26,530	-	26,530	-	-	(26,530)	1,304,982
Open treatment	17,287,730	-	17,287,730	-	-	674,469	-	674,469	-	-	(674,469)	17,287,730
Private secure (BASE) services	11,507,537	-	11,507,537	-	-	360,688	-	360,688	-	-	(360,688)	11,507,537
Clinical/community based services	7,868,762	-	7,868,762	-	-	38,220	-	38,220	-	-	(38,220)	7,868,762
ABA	281,196	-	281,196	7,689,995	-	270,318	-	270,318	-	-	(1,137,912)	7,103,597
Damar transportation	15,797	-	15,797	-	212,543	-	-	-	-	-	(206,405)	21,935
Pharmacy	-	-	-	-	-	-	-	-	-	91,068	(2,800)	88,268
Total program expenses	44,853,451	-	44,853,451	7,689,995	212,543	1,380,534	-	1,380,534	2,189,084	91,068	(2,457,333)	53,959,342
Administrative, human resources and training	3,012,516	-	3,012,516	-	-	183,070	-	183,070	-	-	(183,070)	3,012,516
Advancement, including fundraising	1,018,492	-	1,018,492	-	-	1,054,221	-	1,054,221	-	-	(469,738)	1,602,975
Total expenses	48,884,459	-	48,884,459	7,689,995	212,543	2,617,825	-	2,617,825	2,189,084	91,068	(3,110,141)	58,574,833
Change in Net Assets Before Other Changes	3,635,437	4,209	3,639,646	2,229,858	(2,401)	76,724	165,275	241,999	278,240	(91,068)	-	6,296,274
Other Changes												
Investment return	28,020	-	28,020	385	-	862,233	513,323	1,375,556	-	-	-	1,403,961
Transfer of assets	(4,593,797)	-	(4,593,797)	-	-	4,593,797	-	4,593,797	-	-	-	-
Gain (loss) on disposal of property and equipment	2,177	-	2,177	-	(4,506)	-	-	-	-	-	-	(2,329)
Change in Net Assets	(928,163)	4,209	(923,954)	2,230,243	(6,907)	5,532,754	678,598	6,211,352	278,240	(91,068)	-	7,697,906
Net Assets, Beginning of Year	23,437,109	217,996	23,655,105	390,363	190	33,382,526	14,795,511	48,178,037	785,237	-	-	73,008,932
Net Assets, End of Year	\$ 22,508,946	\$ 222,205	\$ 22,731,151	\$ 2,620,606	\$ (6,717)	\$ 38,915,280	\$ 15,474,109	\$ 54,389,389	\$ 1,063,477	\$ (91,068)	\$ -	\$ 80,706,838

Damar Services, Inc.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021 and 2020

Damar Services, Inc.

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Damar Services, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Damar Services, Inc. and its subsidiaries (Damar), which comprise the consolidated classified statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our 2021 audit also was conducted in accordance with 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Damar as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, in 2021, Damar adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including the consolidating schedules and 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*, as listed in the table of contents, are presented for 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated October 26, 2021, on our consideration of Damar'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 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 Damar'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 Damar's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
October 26, 2021

Damar Services, Inc.
Consolidated Classified Statements of Financial Position
June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 23,940,811	\$ 12,805,985
Accounts receivable, net of 2020 allowance of \$149,779	10,486,279	7,406,805
Other receivables	402,119	723,720
Pledges receivable, current portion	341,751	195,227
Prepaid expenses and other	1,396,569	1,032,763
Total current assets	<u>36,567,529</u>	<u>22,164,500</u>
Property and Equipment, net	<u>29,146,320</u>	<u>24,558,754</u>
Other Assets		
Pledges receivable, net of current portion	410,541	339,278
Notes receivable	-	250,000
Assets whose use is limited by the Board	27,016,069	21,170,993
Deferred compensation investments	521,381	355,066
Long-term investments	20,595,102	17,164,075
Other noncurrent assets	290,366	322,930
	<u>48,833,459</u>	<u>39,602,342</u>
Total assets	<u>\$ 114,547,308</u>	<u>\$ 86,325,596</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 1,972,837	\$ 944,429
Accrued payroll and related benefits	3,949,737	3,338,989
Accrued health claims	1,099,526	834,177
Other accrued expenses	38,512	146,097
Total current liabilities	<u>7,060,612</u>	<u>5,263,692</u>
Noncurrent Liabilities - deferred compensation	<u>521,381</u>	<u>355,066</u>
Total liabilities	<u>7,581,993</u>	<u>5,618,758</u>
Net Assets		
Without donor restrictions		
Undesignated	63,969,766	43,839,531
Designated by the Board for endowment	27,016,069	21,170,993
Net assets without donor restrictions	<u>90,985,835</u>	<u>65,010,524</u>
With donor restrictions		
Perpetual in nature	8,820,000	8,820,000
Purpose restrictions	7,003,086	6,759,548
Time-restricted for future periods	156,394	116,766
Net assets with donor restrictions	<u>15,979,480</u>	<u>15,696,314</u>
Total net assets	<u>106,965,315</u>	<u>80,706,838</u>
Total liabilities and net assets	<u>\$ 114,547,308</u>	<u>\$ 86,325,596</u>

Damar Services, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains and Other Support						
Net client revenue	\$ 69,261,759	\$ -	\$ 69,261,759	\$ 62,830,239	\$ -	\$ 62,830,239
Other revenue	243,897	-	243,897	179,819	-	179,819
Milk subsidy	423,952	-	423,952	366,918	-	366,918
Management, service and facility fees	133,000	-	133,000	133,000	-	133,000
Contributions	27,463	2,201,346	2,228,809	913,029	398,102	1,311,131
Grants	3,223,190	-	3,223,190	50,000	-	50,000
PPP loan forgiveness revenue	8,736,867	-	8,736,867	-	-	-
Net assets released from restrictions	4,625,354	(4,625,354)	-	228,618	(228,618)	-
Total revenues, gains and other support	86,675,482	(2,424,008)	84,251,474	64,701,623	169,484	64,871,107
Expenses						
Community support	5,702,182	-	5,702,182	5,185,192	-	5,185,192
DCS group homes	3,918,126	-	3,918,126	3,591,339	-	3,591,339
Medicaid group homes	1,401,524	-	1,401,524	1,304,982	-	1,304,982
Open treatment	19,105,419	-	19,105,419	17,287,730	-	17,287,730
Private secure (BASE) services	13,160,211	-	13,160,211	11,507,537	-	11,507,537
Clinical/Community based services	9,122,423	-	9,122,423	7,868,762	-	7,868,762
ABA	9,102,474	-	9,102,474	7,103,597	-	7,103,597
Damar Transportation	37,954	-	37,954	21,935	-	21,935
Pharmacy	168,521	-	168,521	88,268	-	88,268
Total program expenses	61,718,834	-	61,718,834	53,959,342	-	53,959,342
Administrative, human resources and training	3,260,273	-	3,260,273	3,012,516	-	3,012,516
Advancement, including fundraising	1,637,802	-	1,637,802	1,602,975	-	1,602,975
Total expenses	66,616,909	-	66,616,909	58,574,833	-	58,574,833
Change in Net Assets Before Other Changes	20,058,573	(2,424,008)	17,634,565	6,126,790	169,484	6,296,274
Other Changes						
Investment return	6,014,601	2,707,174	8,721,775	890,638	513,323	1,403,961
Loss on disposal of property and equipment	(97,863)	-	(97,863)	(2,329)	-	(2,329)
Change in Net Assets	25,975,311	283,166	26,258,477	7,015,099	682,807	7,697,906
Net Assets, Beginning of Year	65,010,524	15,696,314	80,706,838	57,995,425	15,013,507	73,008,932
Net Assets, End of Year	\$ 90,985,835	\$ 15,979,480	\$ 106,965,315	\$ 65,010,524	\$ 15,696,314	\$ 80,706,838

Damar Services, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Community Support	DCS Group Homes	Medicaid Group Homes	Open Treatment	Private Secure (BASE) Services	Clinical/Community Based Services	ABA	Damar Transportation	Pharmacy	Facility Operations	Total Program Expenses	Administrative, Human Resources and Training	Advancement, Including Fundraising	Total
Salaries and wages	\$ 2,633,774	\$ 2,649,576	\$ 809,675	\$ 11,177,332	\$ 7,956,069	\$ 5,200,352	\$ 5,392,676	\$ 5,085	\$ -	\$ 2,314,065	\$ 38,138,604	\$ 2,031,854	\$ 881,927	\$ 41,052,385
Health and life insurance	453,015	192,018	78,624	906,801	649,665	564,655	777,728	1,153	250	412,264	4,036,173	67,367	61,476	4,165,016
Payroll taxes	188,329	192,252	57,211	821,244	561,162	380,018	392,583	273	-	168,680	2,761,752	154,173	57,024	2,972,949
Other employee benefits	147,950	117,475	93,055	562,200	473,504	257,693	315,120	180	89	133,305	2,100,571	76,131	34,986	2,211,688
Employment costs	18,767	18,879	5,769	85,419	58,145	51,739	9,093	-	-	16,489	264,300	80,354	6,284	350,938
Professional fees	1,722,966	1,955	8,225	123,030	54,970	1,115,395	805,859	-	53,359	73,310	3,959,069	267,840	145,255	4,372,164
Client expenses	-	10,895	79,428	54,388	51,779	23,100	-	-	-	12,194	231,784	-	-	231,784
Supplies	13,908	65,785	12,195	645,686	128,944	92,820	109,828	-	-	188,543	1,257,709	32,581	50,141	1,340,431
Food and kitchen supplies	219	79,849	24,401	-	-	21,848	-	-	-	919,785	1,046,102	3,417	-	1,049,519
Transportation	50,592	39,013	18,948	77,620	54,126	74,280	21,523	-	-	54,566	390,668	25,285	3,903	419,856
Occupancy costs	272,575	251,972	86,401	1,086,645	670,942	552,879	533,175	3,749	44,469	419,836	3,922,643	88,536	118,065	4,129,244
Repair and maintenance	32,529	37,214	19,216	312,815	267,058	7,762	145,370	691	3,873	162,819	989,347	88,165	1,471	1,078,983
Depreciation	45,232	55,370	41,717	901,511	545,707	121,908	311,775	26,559	66,481	155,243	2,271,503	191,266	44,024	2,506,793
Other	-	-	-	-	-	-	650	-	-	-	650	14,497	-	15,147
Total direct expenses	5,579,856	3,712,253	1,334,865	16,754,691	11,472,071	8,464,449	8,815,380	37,690	168,521	5,031,099	61,370,875	3,121,466	1,404,556	65,896,897
Facility operations	95,337	178,884	54,664	2,258,765	1,612,171	351,097	283,196	264	-	(5,031,099)	(196,721)	137,179	59,542	-
Marketing	26,989	26,989	11,995	91,963	75,969	306,877	3,898	-	-	-	544,680	1,628	173,704	720,012
	\$ 5,702,182	\$ 3,918,126	\$ 1,401,524	\$ 19,105,419	\$ 13,160,211	\$ 9,122,423	\$ 9,102,474	\$ 37,954	\$ 168,521	\$ -	\$ 61,718,834	\$ 3,260,273	\$ 1,637,802	\$ 66,616,909

Damar Services, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Community Support	DCS Group Homes	Medicaid Group Homes	Open Treatment	Private Secure (BASE) Services	Clinical/Community Based Services	ABA	Damar Transportation	Pharmacy	Facility Operations	Total Program Expenses	Administrative, Human Resources and Training	Advancement, Including Fundraising	Total
Salaries and wages	\$ 2,322,019	\$ 2,400,213	\$ 737,544	\$ 10,110,548	\$ 6,898,334	\$ 4,570,867	\$ 4,205,761	\$ 3,915	\$ -	\$ 2,116,261	\$ 33,365,462	\$ 1,736,635	\$ 814,675	\$ 35,916,772
Health and life insurance	407,345	176,483	52,769	700,278	456,161	370,992	677,374	975	-	340,590	3,182,967	46,000	51,278	3,280,245
Payroll taxes	202,641	166,481	57,179	677,693	514,923	344,371	295,204	32	-	159,806	2,418,330	128,176	45,251	2,591,757
Other employee benefits	89,057	111,609	28,843	419,326	280,768	161,077	224,049	85	-	92,084	1,406,898	62,320	26,641	1,495,859
Employment costs	15,496	15,937	4,897	69,680	47,371	38,803	5,869	-	-	15,089	213,142	98,123	5,386	316,651
Professional fees	1,567,556	5,325	12,444	137,818	79,993	984,084	275,864	-	49,016	50,706	3,162,806	320,888	105,487	3,589,181
Client expenses	-	13,760	86,171	50,409	25,402	-	-	-	-	7,893	183,635	-	-	183,635
Supplies	12,732	47,458	16,061	556,827	174,108	67,083	66,932	-	142	221,582	1,162,925	69,386	-	1,232,311
Food and kitchen supplies	-	62,471	24,819	-	-	14,743	-	-	-	862,664	964,697	3,574	-	968,271
Transportation	59,640	43,456	25,967	81,666	62,216	71,337	11,551	-	-	37,707	393,540	33,864	10,379	437,783
Occupancy costs	321,209	267,042	114,612	1,121,994	727,793	559,003	603,744	4,610	24,308	435,439	4,179,754	90,609	117,608	4,387,971
Repair and maintenance	40,557	34,636	39,024	307,688	223,475	8,208	113,097	(103)	6,347	142,552	915,481	97,211	1,503	1,014,195
Depreciation	42,688	53,496	42,509	897,396	535,528	114,261	320,439	12,142	8,455	147,588	2,174,502	194,963	46,875	2,416,340
Other	-	-	-	-	-	-	-	-	-	-	-	3,054	-	3,054
Total direct expenses	5,080,940	3,398,367	1,242,839	15,131,323	10,026,072	7,304,829	6,799,884	21,656	88,268	4,629,961	53,724,139	2,884,803	1,225,083	57,834,025
Facility operations	85,037	172,219	52,920	2,085,694	1,423,050	327,968	300,502	279	-	(4,629,961)	(182,292)	124,083	58,209	-
Marketing	19,215	20,753	9,223	70,713	58,415	235,965	3,211	-	-	-	417,495	3,630	319,683	740,808
	<u>\$ 5,185,192</u>	<u>\$ 3,591,339</u>	<u>\$ 1,304,982</u>	<u>\$ 17,287,730</u>	<u>\$ 11,507,537</u>	<u>\$ 7,868,762</u>	<u>\$ 7,103,597</u>	<u>\$ 21,935</u>	<u>\$ 88,268</u>	<u>\$ -</u>	<u>\$ 53,959,342</u>	<u>\$ 3,012,516</u>	<u>\$ 1,602,975</u>	<u>\$ 58,574,833</u>

Damar Services, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 26,258,477	\$ 7,697,906
Items not requiring (providing) cash		
Depreciation and amortization	2,539,357	2,419,054
Loss on disposal of property and equipment	97,863	2,329
Realized and unrealized gains on investments	(7,806,161)	(224,348)
Forgiveness of note receivable	75,000	-
Changes in		
Accounts receivable	(2,757,873)	2,054,948
Pledges receivable	(217,787)	(78,750)
Prepaid expenses and other	(363,806)	(26,460)
Accounts payable	341,864	(644,190)
Accrued expenses	768,512	566,050
Net cash provided by operating activities	<u>18,935,446</u>	<u>11,766,539</u>
Investing Activities		
Proceeds from sale of investments	2,809,957	-
Purchases of investments	(738,230)	(1,425,970)
Purchases of property and equipment	(6,505,678)	(2,552,382)
Payments received on note receivable	175,000	-
Cash paid for Pharmacy	-	(325,644)
Net cash used in investing activities	<u>(4,258,951)</u>	<u>(4,303,996)</u>
Change in Cash	14,676,495	7,462,543
Cash, Beginning of Year	<u>14,390,321</u>	<u>6,927,778</u>
Cash, End of Year	<u>\$ 29,066,816</u>	<u>\$ 14,390,321</u>
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ 686,544	\$ -

Cash on the consolidated statements of cash flows consist of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 23,940,811	\$ 12,805,985
Board-designated endowment funds for future needs	82,452	82,452
Long-term investments	<u>5,043,553</u>	<u>1,501,884</u>
	<u>\$ 29,066,816</u>	<u>\$ 14,390,321</u>

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Damar Services, Inc. (Damar Services) is a not-for-profit organization whose mission and principal activities are to provide residential, educational, therapeutic and community support for children, adolescents and adults with developmental disabilities that promote the fullest possible individual potential while preparing them to live as independently as possible in their chosen community. In addition to on-campus residential care, Damar Services provides a full continuum of support to individuals with developmental disabilities in their own communities that include behavioral health services, group home services and supportive living services.

Damar Services' residential revenues and other support are derived principally from the Indiana Department of Child Services, the Indiana Department of Education, and other agencies for the care of individuals at the Decatur Boulevard Campus and in-transition homes located in Indiana. These revenues are based on a per diem rate, which is tied to a cost setting methodology.

Principles of Consolidation

The consolidated financial statements include the accounts of Damar Services, Inc.; Damar Specialized Services, LLC (ABA); Damar Transportation, LLC (Transportation); Damar Foundation, Inc. (Foundation); Damar Support Services, LLC (Support Services); Damar Pharmacy Services, LLC (Pharmacy), which are collectively referred to as the Organization or Damar. ABA was organized to create individualized treatment plans for children with autism by utilizing applied behavior analysis. ABA is covered under many Indiana-based insurance plans and a significant portion of its revenue comes from Medicaid. The sole member of ABA is Damar Services, Inc. Transportation was organized to manage the Organization's vehicles. Transportation generates its revenues by leasing vehicles to Damar Services, Inc. Transportation is a wholly owned subsidiary of Damar Services, Inc. Foundation was organized to manage the Organization's investments along with its facilities and includes the fundraising efforts on behalf of Damar Services, Inc. Foundation generates its revenues by leasing facilities to Damar Services, Inc., along with investment returns. Foundation is a supporting organization to Damar Services, Inc. Support Services was organized to provide support for services relating to the behavioral care of youths with special needs. Significantly all of its revenue comes from Medicaid. The sole member of Support Services is Damar Services, Inc. Pharmacy was purchased in order to administer necessary medication to the clients of the Organization. The sole member of Pharmacy is Damar Services, Inc.

Use of Estimates

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

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are considered to be cash and cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$29,300,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value, less direct investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction is satisfied in the same year is recorded as net assets with donor restriction and then released from restriction. Other investment return is reflected in the consolidated statements of activities as unrestricted or donor restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated classified statements of financial position.

Notes Receivable

Notes receivable are stated at their estimated fair value, which includes an allowance for uncollectible notes. The Organization provides an allowance for uncollectible notes when necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

On June 1, 2017, the Organization sold a business line and received a \$500,000 note receivable as partial consideration for the sale. Under the terms of the note, effective December 1, 2017, the principal balance was reduced to approximately \$280,000, and management estimated the fair value of the note to be \$250,000. During the year ended June 30, 2021, the Organization received \$175,000 in relation to the note and the remaining \$75,000 was relieved by charging off against the balance and recording an expense.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Assets Whose Use is Limited by the Board

The Organization has adopted a policy of transferring funds in excess of current needs to a separate, board-designated investment fund in order to prepare the Organization for future significant maintenance, reconstruction of facilities and program needs. Further, some donor restricted contributions are deposited into the above referenced investment fund.

Accounts Receivable

Accounts receivable are stated at the amount of consideration to which the Organization expects to be entitled from clients and third-party payers in exchange for providing services.

Accounts receivable are ordinarily due 30 to 45 days after the issuance of the invoice. Past due receivables are determined based on contractual terms. Damar does not accrue interest on past due accounts receivable.

Contract Assets and Liabilities

Amounts related to services provided to clients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Amounts received related to services that have not yet been provided to clients are contract liabilities. The Organization has no contract assets or liabilities at June 30, 2021.

Property and Equipment

Property and equipment is depreciated on a straight-line basis over the estimated useful life of each asset. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Vehicles	4 - 10
Furniture and equipment	2 - 25
Buildings and improvements	5 - 40
Land improvements	5 - 40

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Self-Insurance

The Organization maintains a self-funded medical insurance plan covering medical-related benefits for its employees. Effective January 1, 2021, the plan includes individual stop loss insurance, with an individual stop loss limit of \$150,000, and does not include group stop loss limits. Claims payable at June 30, 2021 and 2020 amounted to \$1,099,526 and \$834,177, respectively. This estimate is based on total costs incurred and not paid and projected amount of claims not yet reported to the Organization as of year-end, as well as premiums paid for the coverage and administrative charges paid to the provider; therefore, actual claims outstanding for June 30, 2021 could differ significantly.

The Organization participates in a high deductible workers' compensation plan with a minimum maximum loss content amount of \$2,310,000 and a single accident employer liability loss retention of \$250,000. The plan required a front-loaded schedule to fund the \$605,000 and \$550,000 annual cash collateral that will be used to pay claims, during 2022 and 2021, respectively. At June 30, 2021 and 2020, the required cash funding approximated the estimated claims payable; therefore, no claims payable is reflected on the consolidated classified statement of financial position as of year-end. This estimate is based on the Organization's claims history and projected amount of claims not yet reported to the Organization as of year-end; therefore, actual claims outstanding for June 30, 2021 could differ significantly.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Contributions

Contributions are provided to Damar either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated 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 restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Grants and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from donor restriction. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restriction unless explicit donor stipulations specify how such assets must be used in which case, the gifts are reported as revenue and net assets with donor restrictions.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense or asset in its consolidated financial statements, and similarly increase contribution revenue by the same amount. No in-kind contributions were recognized for the years ended June 30, 2021 and 2020.

Client Revenue

Under the terms of certain government reimbursed programs, providers of these services are subject to regulation by program intermediaries. For several programs, payment for the services rendered is based upon allowable costs as defined by each program's regulations and is subject to financial audit by the program intermediary. Client revenues are recognized as Damar satisfies performance obligations under its contracts. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relations to total charges expected. Damar believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs need to satisfy the obligation. Revenue is reported at the estimated transaction price or the amount that reflects the consideration to which Damar expects to be entitled to in exchange for providing services. Damar determines the transaction price based on standard charges for goods and services provided, reduced by implicit and explicit price concessions. Damar determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies and historical experience.

For autism services, Damar has agreements with third-party payers that provide for payments in amounts different from established rates. Payment arrangements include prospectively determined rates per visit or service and per diem payments. Revenue from autism services is recognized as Damar satisfies performance obligations under its contracts. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relations to total charges expected. Damar believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue from autism services is reported at the estimated transaction price that reflects the consideration to which Damar expects to be entitled to in exchange for providing the services from clients, third-party payers and others for services rendered. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Disaggregation of Revenue

The composition, by program and/or payer source, of client revenue is as follows for the years ended June 30:

	2021	2020
Department of Child Services	\$ 36,046,817	\$ 33,928,657
Department of Education	10,323,615	10,307,621
Medicaid	14,643,420	13,195,932
Third-party insurers for ABA services	8,210,682	5,398,029
Other	37,225	-
	<u>\$ 69,261,759</u>	<u>\$ 62,830,239</u>

Due to the nature of the services provided by the Organization for developmentally disabled individuals, approximately 88% and 89% of client revenue was received from a combination of Medicaid, Indiana Department of Child Services and the Department of Education for the years ended June 30, 2021 and 2020, respectively.

The timing of revenue recognition is as follows for the years ended June 30:

	2021	2020
Timing of revenue recognition		
Client service revenue transferred over time		
Behavioral, residential and other government-funded services	\$ 55,057,761	\$ 52,911,020
Autism services	14,072,259	9,919,219
	<u>69,130,020</u>	<u>62,830,239</u>
Pharmacy sales at point in time	131,739	-
	<u>\$ 69,261,759</u>	<u>\$ 62,830,239</u>

Transaction Price

Because all of its performance obligations relate to contracts with a duration of less than one year, Damar has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Damar determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third party payers. Damar determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions on its historical collection experience.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

Damar Services (including Transportation, ABA, Support Services, and Pharmacy) and Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, they are subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, general and administrative and fundraising categories based on the actual expenditures and personnel cost allocations estimated by the Organization's management.

Future Accounting Standards

In fiscal year 2023, the Organization will adopt ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The Organization has not yet determined the impact of this new standard on its consolidated financial statements; however, it could have a material future impact.

Note 2: Change in Accounting Principle

On July 1, 2020, Damar adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606), using a modified retrospective method of adoption to all incomplete contracts with clients at July 1, 2020. The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to customers or clients in an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for those goods or services. The amount to which Damar expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services to its customers or clients. Adoption of Topic 606 resulted in changes in disclosures in the notes to the consolidated financial statements and no significant changes in the presentation of the consolidated financial statements other than client revenues now being presented net of all contractual and uncollectible balances instead of presenting these amounts separately. The adoption had no impact on revenues, gains and other support, the overall change in net assets, or net cash provided by operating activities.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 3: Accounts Receivable

Accounts receivable consists of the following at June 30:

	2021	2020
Department of Child Services	\$ 6,352,038	\$ 4,061,740
Department of Education	1,473,236	1,607,813
Medicaid	674,467	897,727
Third-party insurers for ABA services	1,974,880	971,473
Other	11,658	17,831
	<u>10,486,279</u>	<u>7,556,584</u>
Allowance for uncollectible accounts	<u>-</u>	<u>(149,779)</u>
	<u><u>\$ 10,486,279</u></u>	<u><u>\$ 7,406,805</u></u>

Due to the nature of the services provided by the Organization for developmentally disabled individuals, as of June 30, 2021 and 2020, amounts due from Medicaid, the Indiana Department of Child Services and the Department of Education made up approximately 81% and 87%, respectively, of the accounts receivable balances.

The following table provides information about Damar's receivables from its contracts:

	2021
Accounts receivable, beginning of year	\$ 7,406,805
Accounts receivable, end of year	10,486,279

Note 4: Pledges Receivable

Pledges receivable at June 30, 2021 and 2020 are unconditional promises to give from various donors.

The following is the detail of the pledges receivable balances at June 30:

	2021	2020
Due within one year	\$ 341,751	\$ 195,227
Due in one to five years	452,621	375,507
	<u>794,372</u>	<u>570,734</u>
Discount	(15,149)	(13,034)
Allowance	(26,931)	(23,195)
	<u><u>\$ 752,292</u></u>	<u><u>\$ 534,505</u></u>

The discount rate was 5% for 2021 and 2020.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 5: Cash, Investments and Investment Return

Board-designated endowment fund (assets whose use is limited by the Board) for future needs at June 30 consist of the following:

	2021	2020
Cash	\$ 82,452	\$ 82,452
Investments	<u>26,933,617</u>	<u>21,088,541</u>
	<u>\$ 27,016,069</u>	<u>\$ 21,170,993</u>

Long-term investments at June 30 consist of the following:

	2021	2020
Cash	\$ 5,043,553	\$ 1,501,884
Investments	<u>15,551,549</u>	<u>15,662,191</u>
	<u>\$ 20,595,102</u>	<u>\$ 17,164,075</u>

Total investments at June 30 consist of the following:

	2021	2020
Short-term holdings	\$ 491,074	\$ 6,732,722
Corporate stocks		
Domestic	1,967,488	1,465,845
International	17,728	46,573
Equity mutual funds		
Small and mid cap	3,290,560	2,142,393
Large cap	15,353,388	11,676,824
International	6,077,212	4,636,103
Fixed income mutual funds		
Short-term bond	9,136,671	2,757,570
Intermediate-term bond	5,482,619	6,658,543
Inflation-protected bond	<u>668,426</u>	<u>634,159</u>
	<u>\$ 42,485,166</u>	<u>\$ 36,750,732</u>

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

The following schedule summarizes the investment return for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 915,614	\$ 1,179,613
Realized and unrealized gains on investments	<u>7,806,161</u>	<u>224,348</u>
	<u>\$ 8,721,775</u>	<u>\$ 1,403,961</u>

Note 6: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2021</u>	<u>2020</u>
Land	\$ 4,988,015	\$ 4,957,215
Land improvements	7,279,845	7,071,278
Buildings and improvements	33,562,453	32,310,888
Furniture and equipment	8,313,879	7,698,824
Vehicles	435,274	319,067
Construction in progress	<u>5,650,667</u>	<u>905,278</u>
	60,230,133	53,262,550
Less accumulated depreciation	<u>(31,083,813)</u>	<u>(28,703,796)</u>
	<u>\$ 29,146,320</u>	<u>\$ 24,558,754</u>

Note 7: Revolving Line of Credit

The Organization has entered into a \$6,000,000 revolving bank line of credit expiring in October 2021. At June 30, 2021 and 2020, there were no borrowings against this line. The line is secured by real estate. Interest varies with the daily LIBOR plus 1.75%, which was 1.83% and 2.41% at June 30, 2021 and 2020, respectively, and is payable monthly. The agreement is subject to a financial minimum liquidity covenant.

Note 8: Deferred Compensation

In October 2002, the Organization established a deferred compensation plan for a member of management under Section 457 of the Internal Revenue Code. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. Benefits under the plan are limited to actual contributions to the plan plus earnings thereon. There were no contributions into this plan for the years ended June 30, 2021 and 2020.

Damar Services, Inc.
Notes to Consolidated Financial Statements
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In November 2012, the Organization established a deferred compensation plan for Executive staff only under Section 457 of the Internal Revenue Code. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. Benefits under the plan are limited to actual contributions to the plan plus earnings thereon. Contributions for this plan for the years ended June 30, 2021 and 2020 were \$59,000.

Note 9: Net Assets

During 2018, the Organization received a sustainability grant from Lilly Endowment, Inc. (LEI) for \$10 million. The grant included \$8,570,000 to establish an endowment, which will remain in net assets with donor restrictions in perpetuity. Investment earnings on the endowment portion are available to continue to fund the original purpose of the grant, subject to spending rate policies described in Note 10.

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose		
Residential special needs	\$ 225,443	\$ 117,710
Capital and equipment	2,517,069	5,021,135
Endowment earnings restricted for the pool	583,948	399,380
Operating endowment accumulated earnings	3,644,315	1,137,910
Organizational development	32,311	83,413
	7,003,086	6,759,548
 Subject to the passage of time		
Timing	156,394	116,766
 Endowments		
Investment in perpetuity, the income of which is expendable to support:		
Operations	8,570,000	8,570,000
Pool construction and maintenance	250,000	250,000
	8,820,000	8,820,000
	\$ 15,979,480	\$ 15,696,314

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Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2021	2020
Undesignated	\$ 63,969,766	\$ 43,839,531
Designated by the Board for endowment	27,016,069	21,170,993
	<u>\$ 90,985,835</u>	<u>\$ 65,010,524</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2021	2020
Expiration of time restrictions		
Christmas	\$ 22,870	\$ 27,550
Golf outing	77,689	937
Satisfaction of purpose restrictions		
Residential special needs	103,792	195,250
Capital and equipment	3,544,896	-
Organizational development	61,577	4,881
COVID needs	814,530	-
	<u>\$ 4,625,354</u>	<u>\$ 228,618</u>

Note 10: Endowment

The Organization's endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Damar Services, Inc.
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The Organization’s governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as purpose-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30, 2021 and 2020 was:

	Without Restrictions	2021 With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount that must be maintained in perpetuity	\$ -	\$ 8,820,000	\$ 8,820,000
Accumulated investment earnings	-	4,228,263	4,228,263
Board-designated endowment funds	27,016,069	-	27,016,069
Total endowment funds	\$ 27,016,069	\$ 13,048,263	\$ 40,064,332

Damar Services, Inc.
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	Without Restrictions	2020 With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount that must be maintained in perpetuity	\$ -	\$ 8,820,000	\$ 8,820,000
Accumulated investment earnings	-	1,537,290	1,537,290
Board-designated endowment funds	<u>21,170,993</u>	<u>-</u>	<u>21,170,993</u>
 Total endowment funds	 <u>\$ 21,170,993</u>	 <u>\$ 10,357,290</u>	 <u>\$ 31,528,283</u>

Changes in endowment net assets for the years ended June 30, 2021 and 2020 were:

	Without Restrictions	2021 With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 21,170,993</u>	<u>\$ 10,357,290</u>	<u>\$ 31,528,283</u>
Appropriation of assets for expenditure	<u>(23,374)</u>	<u>(16,201)</u>	<u>(39,575)</u>
Investment return			
Investment income	609,206	297,181	906,387
Net realized and unrealized gains	<u>5,259,244</u>	<u>2,409,993</u>	<u>7,669,237</u>
Total investment return	<u>5,868,450</u>	<u>2,707,174</u>	<u>8,575,624</u>
Endowment net assets, end of year	<u>\$ 27,016,069</u>	<u>\$ 13,048,263</u>	<u>\$ 40,064,332</u>

	Without Restrictions	2020 With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 20,333,214</u>	<u>\$ 9,910,784</u>	<u>\$ 30,243,998</u>
Appropriation of assets for expenditure	<u>-</u>	<u>(4,890)</u>	<u>(4,890)</u>
Investment return			
Investment income	696,079	359,865	1,055,944
Net realized and unrealized gains	<u>141,700</u>	<u>91,531</u>	<u>233,231</u>
Total investment return	<u>837,779</u>	<u>451,396</u>	<u>1,289,175</u>
Endowment net assets, end of year	<u>\$ 21,170,993</u>	<u>\$ 10,357,290</u>	<u>\$ 31,528,283</u>

Damar Services, Inc.
Notes to Consolidated Financial Statements
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Investment and Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize the long-term return of financial assets consistent with the fiduciary standards of a prudent investor. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that equal or exceed, over a three to five year horizon, the return of a balanced index comprised of the S&P 500 and the Summit Barclays Capital Aggregate Bond Index, in similar proportion to the portfolios' targeted asset mix. The Organization expects its endowment funds to provide long-term returns that exceed the S&P 500 returns.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization evaluates and considers strategic plans and whether they should appropriate endowment earnings for expenditures on an annual basis. The Organization has no formal policy, and board approval is required to appropriate endowment earnings for spending as it relates to the board-designated endowment fund, which is without donor restrictions.

The Organization has a policy (the spending policy) of appropriating for expenditure each year, with a goal to enable a distribution with a range of 4% to 5% of its endowment fund with donor restrictions average fair value as of December 31 based on the previous three-years rolling average, provided the fair value of the endowment is greater than the historical dollar. If the fair value of the endowment is less than the historical dollar value, the Organization has a policy to limit spending to 2%. Additionally, if the appropriation for the current year expenditure would reduce the fair value of the endowment to less than the historical dollar value, the Organization has a policy to limit spending to the greater of the excess of the fair value over the historical dollar value or 2%. Actual appropriation rate is determined annually by the board of directors. In establishing this policy, the Organization considered the long-term expected return on its endowment.

The Organization reinvests the investment return each year. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Damar Services, Inc.
Notes to Consolidated Financial Statements
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Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 83,311,934	\$ 59,437,429
Donor imposed restrictions:		
Restricted funds	2,931,217	5,339,024
Endowments	<u>13,048,263</u>	<u>10,357,290</u>
Net financial assets with donor imposed restrictions	<u>15,979,480</u>	<u>15,696,314</u>
Internal designations:		
Board-designated endowment funds	27,016,069	21,170,993
Designated deferred compensation funds	<u>521,381</u>	<u>355,066</u>
	<u>27,537,450</u>	<u>21,526,059</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 39,795,004</u>	<u>\$ 22,215,056</u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use which are restricted to the spending policy as described in Note 10. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$27,016,069 and \$21,170,993 at June 30, 2021 and 2020, respectively, is subject to board approval to utilize. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$6,000,000, which it could draw upon.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Damar Services, Inc.
Notes to Consolidated Financial Statements
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Note 12: Damar Charter School

On August 16, 2011, the Damar Charter School, Inc. d/b/a Damar Charter Academy (DCA) signed an agreement with The Mayor of Indianapolis to begin operations as a public charter school. Although open to all Indiana students, this K thru 12 public school predominantly has children with developmental disabilities or learning disabilities enrolled as students.

The DCA was formed as a separate 501(c)(3) under the Internal Revenue Service Code. Concurrently, on August 16, 2011, the DCA and the Organization signed the Charter School Service Contract. In effect, this contract authorizes the Organization to provide all educational services to the DCA to include curriculum, instruction, employees, physical facilities, financial and all other facets required to run a public school. In a separate agreement on the same date, the DCA leased space on the Organization's campus for school buildings until the lease was terminated on March 31, 2013. On April 1, 2013, DCA relocated to a new facility outside of the campus. In essence, the Organization assumes complete responsibility for the success of the school to include any financial gains or losses. Termination clauses for both DCA and the Organization are included in the contract.

The DCA is governed by an independent board of directors whose members include five elected directors, three Organization board directors and one Organization staff director. The DCA has only one employee, which is the Organization's President and Chief Executive Officer.

All administrative expenses incurred by DCA are paid by the Organization and subsequently reimbursed by the DCA. As of June 30, 2021 and 2020, the Organization had \$402,119 and \$332,241 in related party receivables from DCA, which are included within accounts receivable within the consolidated classified statements of financial position. Management fees shown in the consolidated statements of activities billed to DCA were \$133,000 for both 2021 and 2020.

Note 13: Operating Leases

The Organization leases office equipment, homes for clients and vehicles. The vehicle lease terms are generally for three years. The home leases are for two years and equipment leases range from three to five years. Rental expense included in the consolidated statements of activities was \$257,529 and \$254,930 for 2021 and 2020, respectively.

Future minimum lease payments at June 30 were:

2022	\$ 232,760
2023	107,453
2024	23,295
	<hr/>
	\$ 363,508
	<hr/> <hr/>

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 14: Pension Plans

The Organization has a defined-contribution pension plan covering all employees who have reached the age of 21 and who have completed one year of eligible service. The Board of Directors annually determines the amount, if any, of the Organization's contributions to the plan. The pension contribution was \$620,000 for each of the years ended June 30, 2021 and 2020.

The Organization also maintains a 403(b) plan that is open to all employees. The plan allows for employee contributions only, subject to Internal Revenue Code restrictions as to annual deferral amounts. The 403(b) plan was frozen effective July 1, 2017 to all contributions being deposited to the plan. Eligible participants began contributing to the newly formed Damar Services, Inc. 401(k) Retirement Plan. Defined-contribution pension plan assets were rolled over to the new 401(k) plan. The Organization's annual employer contribution are now deposited into the new 401(k) plan.

Note 15: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Damar Services, Inc.
Notes to Consolidated Financial Statements
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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated classified statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	2021			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Short-term holdings	\$ 491,074	\$ 491,074	\$ -	\$ -
Corporate stock				
Domestic	1,967,488	1,967,488	-	-
International	17,728	17,728	-	-
Equity mutual funds				
Small and mid cap	3,290,560	3,290,560	-	-
Large cap	15,353,388	15,353,388	-	-
International	6,077,212	6,077,212	-	-
Fixed income mutual funds				
Short-term bond	9,136,671	9,136,671	-	-
Intermediate-term bond	5,482,619	5,482,619	-	-
Inflation-protected bond	668,426	668,426	-	-
Total investments	<u>42,485,166</u>	<u>42,485,166</u>	-	-
Deferred compensation investments				
Equity mutual funds	<u>521,381</u>	<u>521,381</u>	-	-
	<u>\$ 43,006,547</u>	<u>\$ 43,006,547</u>	<u>\$ -</u>	<u>\$ -</u>

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	2020			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Short-term holdings	\$ 6,732,722	\$ 6,732,722	\$ -	\$ -
Corporate stock				
Domestic	1,465,845	1,465,845	-	-
International	46,573	46,573	-	-
Equity mutual funds				
Small and mid cap	2,142,393	2,142,393	-	-
Large cap	11,676,824	11,676,824	-	-
International	4,636,103	4,636,103	-	-
Fixed income mutual funds				
Short-term bond	2,757,570	2,757,570	-	-
Intermediate-term bond	6,658,543	6,658,543	-	-
Inflation-protected bond	634,159	634,159	-	-
Total investments	<u>36,750,732</u>	<u>36,750,732</u>	<u>-</u>	<u>-</u>
Deferred compensation investments				
Equity mutual funds	355,066	355,066	-	-
Note receivable	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 37,355,798</u>	<u>\$ 37,105,798</u>	<u>\$ -</u>	<u>\$ 250,000</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated classified statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

Investments and Deferred Compensation Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

The Organization's short-term holdings consists of money market mutual funds that primarily invests in U.S. Treasury obligations and commercial paper.

Damar Services, Inc.
Notes to Consolidated Financial Statements
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Level 3 Valuation Process

Fair value determinations for Level 3 measurements of assets are the responsibility of management. Management generates fair value estimates on a quarterly basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Note Receivable

The fair value is estimated using the present value of future payments to be received and is adjusted for estimated loss contingency payments. Therefore, it is classified within Level 3 of the valuation hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying classified statements of financial position using significant unobservable (Level 3) inputs:

	Note Receivable
Balance, July 1, 2019	\$ 250,000
Valuation change	-
Balance, June 30, 2020	250,000
Payments received	(175,000)
Forgiveness of balance	(75,000)
Balance, June 30, 2021	\$ -

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2021 and 2020.

	Fair Value at June 30,	Valuation	Unobservable	Range
	2021	2020	Technique	Inputs
Note receivable	\$ -	\$ 250,000	Present value of future payments to be received	Credit worthiness of debtor 0%

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Considerations

Estimates of variable consideration in determining the transaction price for client revenue are described in Notes 1 and 2.

Contributions

Approximately 36% of all contributions were received from one donor in 2021. In 2020, approximately 15% of all contributions were received from one donor.

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 17: COVID-19 Pandemic and Special Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Client volumes and the related revenues for Damar's services were impacted by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that have caused many people to remain at home and forced the transition to telehealth services due to temporary closure of many facilities.

The Organization has taken steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Implemented numerous safety programs to minimize the impact of COVID-19 on the Organization's staff and clients
- Purchased personal protective equipment
- Implemented certain cost reduction initiatives

Damar Services, Inc.

Notes to Consolidated Financial Statements

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The extent of the COVID-19 pandemic's adverse impact on Damar's financial condition has been and will continue to be driven by many factors, most of which are beyond Damar's control and ability to forecast. Because of these and other uncertainties, Damar cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and net assets may have an impact on the value of investments, access to liquidity and the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to client accounts, and potential impairments of long-lived assets.

Provider Relief Fund

During the year ended June 30, 2021, the Organization received \$1,130,506 of distributions from the CARES Act Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Organization accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses since March 2020, the Organization recognized the full amount of funding received into revenue for the year ended June 30, 2021. These payments are recorded as grant revenue in the accompanying consolidated statements of activities.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. Damar has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021 in accordance with ASC Topic 855 and have concluded as follows:

- July 1, 2021 FAQs – recognized subsequent event

The Organization has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2021 and any clarifications issued by HHS subsequent to year-end, including that referenced above as recognized subsequent events. For guidance issued subsequent to June 30, 2021 considered nonrecognized subsequent events, Damar has reviewed this guidance and cannot currently estimate the impact on the amount of Provider Relief Funds the Organization has recognized into revenue through June 30, 2021, but the impact could be material. Damar will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the consolidated financial statements compared to the Organization's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Damar Services, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Coronavirus Relief Fund

During the year ended June 30, 2021, Damar received approximately \$2,100,000 of funding passed through the State of Indiana's Department of Child Services (DCS) and Bureau of Development Disabilities Services (BDDS) in the form of grants aimed at providers of services to the developmentally disabled that were impacted by COVID-19. This funding relates to the Coronavirus Relief Fund, as authorized at the federal level through the CARES Act. The funds were then passed through to providers at the state level.

Paycheck Protection Program (PPP) Loan

Damar received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalent and salary reduction requirements and incurring eligible expenditures. The Organization believes all conditions were met by June 30, 2021, and recognized the contribution revenue of \$8,736,867 in the accompanying consolidated statements of activities. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender. As a result of such audit, adjustments could be required to the recognition of revenue.

Note 18: Subsequent Events

Subsequent events have been evaluated through October 26, 2021, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Damar Services, Inc.
Consolidating Schedule - Classified Statement of Financial Position
June 30, 2021

Assets

	Damar Services	ABA	Damar Transportation	Damar Foundation	Damar Support Services	Pharmacy	Eliminations	Total
Current Assets								
Cash	\$ 13,592,072	\$ 6,868,842	\$ -	\$ 1,813,368	\$ 1,666,529	\$ -	\$ -	\$ 23,940,811
Accounts receivable, net	8,903,198	1,978,031	-	112,611	-	-	(507,561)	10,486,279
Other receivables	402,119	-	-	-	-	-	-	402,119
Pledges receivable, current portion	7,889	-	-	333,862	-	-	-	341,751
Prepaid expenses and other	1,334,753	-	-	61,816	-	-	-	1,396,569
Total current assets	<u>24,240,031</u>	<u>8,846,873</u>	<u>-</u>	<u>2,321,657</u>	<u>1,666,529</u>	<u>-</u>	<u>(507,561)</u>	<u>36,567,529</u>
Property and Equipment, net	<u>14,317,847</u>	<u>398,655</u>	<u>198,827</u>	<u>14,230,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,146,320</u>
Other Assets								
Pledges receivable, net of current portion	-	-	-	410,541	-	-	-	410,541
Assets whose use is limited by the Board	82,452	-	-	26,933,617	-	-	-	27,016,069
Deferred compensation investments	521,381	-	-	-	-	-	-	521,381
Long-term investments	5,043,553	-	-	15,551,549	-	-	-	20,595,102
Other non-current assets	290,366	-	-	-	-	-	-	290,366
	<u>5,937,752</u>	<u>-</u>	<u>-</u>	<u>42,895,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,833,459</u>
Total assets	<u>\$ 44,495,630</u>	<u>\$ 9,245,528</u>	<u>\$ 198,827</u>	<u>\$ 59,448,355</u>	<u>\$ 1,666,529</u>	<u>\$ -</u>	<u>\$ (507,561)</u>	<u>\$ 114,547,308</u>

Liabilities and Net Assets

Current Liabilities								
Accounts payable	\$ 2,085,448	\$ -	\$ 190,675	\$ 70,639	\$ -	133,636	\$ (507,561)	\$ 1,972,837
Accrued payroll and related benefits	3,949,737	-	-	-	-	-	-	3,949,737
Accrued health claims	1,099,526	-	-	-	-	-	-	1,099,526
Other accrued expenses	38,512	-	-	-	-	-	-	38,512
Total current liabilities	<u>7,173,223</u>	<u>-</u>	<u>190,675</u>	<u>70,639</u>	<u>-</u>	<u>133,636</u>	<u>(507,561)</u>	<u>7,060,612</u>
Noncurrent Liabilities - deferred compensation	<u>521,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,381</u>
Total liabilities	<u>7,694,604</u>	<u>-</u>	<u>190,675</u>	<u>70,639</u>	<u>-</u>	<u>133,636</u>	<u>(507,561)</u>	<u>7,581,993</u>
Net Assets								
Without donor restrictions								
Undesignated	36,554,000	9,245,528	8,152	16,629,193	1,666,529	(133,636)	-	63,969,766
Designated by the Board for endowment	82,452	-	-	26,933,617	-	-	-	27,016,069
Net assets without donor restrictions	<u>36,636,452</u>	<u>9,245,528</u>	<u>8,152</u>	<u>43,562,810</u>	<u>1,666,529</u>	<u>(133,636)</u>	<u>-</u>	<u>90,985,835</u>
With donor restrictions								
Perpetual in nature	-	-	-	8,820,000	-	-	-	8,820,000
Purpose restrictions	164,574	-	-	6,838,512	-	-	-	7,003,086
Time-restricted for future periods	-	-	-	156,394	-	-	-	156,394
Net assets with donor restrictions	<u>164,574</u>	<u>-</u>	<u>-</u>	<u>15,814,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,979,480</u>
Total net assets	<u>36,801,026</u>	<u>9,245,528</u>	<u>8,152</u>	<u>59,377,716</u>	<u>1,666,529</u>	<u>(133,636)</u>	<u>-</u>	<u>106,965,315</u>
Total liabilities and net assets	<u>\$ 44,495,630</u>	<u>\$ 9,245,528</u>	<u>\$ 198,827</u>	<u>\$ 59,448,355</u>	<u>\$ 1,666,529</u>	<u>\$ -</u>	<u>\$ (507,561)</u>	<u>\$ 114,547,308</u>

Damar Services, Inc.

Consolidating Schedule - Statement of Activities

Year Ended June 30, 2021

	Damar Services			ABA	Damar Transportation	Damar Foundation			Damar Support Services	Pharmacy	Eliminations	Total
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction		
Revenues, Gains and Other Support												
Net client revenue	\$ 52,350,431	\$ -	\$ 52,350,431	\$ 14,072,259	\$ -	\$ -	\$ -	\$ -	\$ 2,707,330	\$ 131,739	\$ -	\$ 69,261,759
Other revenue	1,399,900	-	1,399,900	56	236,434	1,611,582	-	1,611,582	-	-	(3,004,075)	243,897
Milk subsidy	423,952	-	423,952	-	-	-	-	-	-	-	-	423,952
Management, service and facility fees	133,000	-	133,000	-	-	-	-	-	-	-	-	133,000
Contributions	540,688	108,434	649,122	-	-	94,884	2,092,912	2,187,796	-	-	(608,109)	2,228,809
Grants	2,040,015	-	2,040,015	1,130,506	-	-	-	-	52,669	-	-	3,223,190
PPP loan forgiveness revenue	7,137,217	-	7,137,217	1,306,539	1,878	174,152	-	174,152	117,081	-	-	8,736,867
Net assets released from restrictions	166,065	(166,065)	-	-	-	4,459,289	(4,459,289)	-	-	-	-	-
Total revenues, gains and other support	64,191,268	(57,631)	64,133,637	16,509,360	238,312	6,339,907	(2,366,377)	3,973,530	2,877,080	131,739	(3,612,184)	84,251,474
Expenses												
Community support	3,428,154	-	3,428,154	-	-	-	-	-	2,274,028	-	-	5,702,182
DCS group homes	3,918,126	-	3,918,126	-	-	10,305	-	10,305	-	-	(10,305)	3,918,126
Medicaid group homes	1,401,524	-	1,401,524	-	-	26,370	-	26,370	-	-	(26,370)	1,401,524
Open treatment	19,105,419	-	19,105,419	-	-	690,620	-	690,620	-	-	(690,620)	19,105,419
Private secure (BASE) services	13,160,211	-	13,160,211	-	-	358,726	-	358,726	-	-	(358,726)	13,160,211
Clinical/community based services	9,122,423	-	9,122,423	-	-	37,830	-	37,830	-	-	(37,830)	9,122,423
ABA	377,515	-	377,515	9,884,187	-	270,197	-	270,197	-	-	(1,429,425)	9,102,474
Damar transportation	252	-	252	-	234,783	-	-	-	-	-	(197,081)	37,954
Pharmacy	-	-	-	-	-	-	-	-	-	174,307	(5,786)	168,521
Total program expenses	50,513,624	-	50,513,624	9,884,187	234,783	1,394,048	-	1,394,048	2,274,028	174,307	(2,756,143)	61,718,834
Administrative, human resources and training	3,260,273	-	3,260,273	-	-	185,235	-	185,235	-	-	(185,235)	3,260,273
Advancement, including fundraising	1,185,218	-	1,185,218	-	-	1,123,390	-	1,123,390	-	-	(670,806)	1,637,802
Total expenses	54,959,115	-	54,959,115	9,884,187	234,783	2,702,673	-	2,702,673	2,274,028	174,307	(3,612,184)	66,616,909
Change in Net Assets Before Other Changes	9,232,153	(57,631)	9,174,522	6,625,173	3,529	3,637,234	(2,366,377)	1,270,857	603,052	(42,568)	-	17,634,565
Other Changes												
Investment return	143,663	-	143,663	(251)	-	5,871,189	2,707,174	8,578,363	-	-	-	8,721,775
Transfer of assets	4,860,893	-	4,860,893	-	-	(4,860,893)	-	(4,860,893)	-	-	-	-
Gain (loss) on disposal of property and equipment	(109,203)	-	(109,203)	-	11,340	-	-	-	-	-	-	(97,863)
Change in Net Assets	14,127,506	(57,631)	14,069,875	6,624,922	14,869	4,647,530	340,797	4,988,327	603,052	(42,568)	-	26,258,477
Net Assets, Beginning of Year	22,508,946	222,205	22,731,151	2,620,606	(6,717)	38,915,280	15,474,109	54,389,389	1,063,477	(91,068)	-	80,706,838
Net Assets, End of Year	\$ 36,636,452	\$ 164,574	\$ 36,801,026	\$ 9,245,528	\$ 8,152	\$ 43,562,810	\$ 15,814,906	\$ 59,377,716	\$ 1,666,529	\$ (133,636)	\$ -	\$ 106,965,315

Damar Services, Inc.
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Treasury				
Pass-through programs:				
Indiana Department of Child Services (DCS)				
COVID - DCS Cares Act Grant	21.019	49513/50730	\$ -	\$ 1,899,382
Indiana Bureau of Development Disabilities Services (BDDS)				
COVID - HCBS Residential and Group Home Relief Grant	21.019	n/a	-	193,302
	<i>Total U.S. Department of Treasury</i>		-	<u>2,092,684</u>
U.S. Department of Treasury				
<i>Child Nutrition Cluster</i>				
Pass-through programs:				
Indiana Department of Education				
School Breakfast Program	10.553	49-K158	-	144,143
National School Lunch Program	10.555	49-K158	-	279,809
	<i>Total Child Nutrition Cluster</i>		-	<u>423,952</u>
Total Federal Expenditures			\$ -	<u>\$ 2,516,636</u>

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Damar Services, Inc. under programs of the federal government for the year ended June 30, 2021. 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 activities of Damar Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Damar Services, Inc.
2. 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Damar Services, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Damar Services, Inc. administered no federal loan programs for the year ended June 30, 2021.

**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***

Independent Auditor's Report

Board of Directors
Damar Services, Inc.
Indianapolis, Indiana

We have audited, 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, the consolidated financial statements of Damar Services, Inc. and its subsidiaries (Damar), which comprise the consolidated classified statement of financial position as of June 30, 2021, 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, and have issued our report thereon dated October 26, 2021, which contained an emphasis of matter paragraph regarding the adoption of a new accounting standard.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Damar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Damar's internal control. Accordingly, we do not express an opinion on the effectiveness of Damar'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Damar'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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

BKD, LLP

Indianapolis, Indiana
October 26, 2021

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Damar Services, Inc.
Indianapolis, Indiana

Report on Compliance for the Major Federal Program

We have audited Damar Services, Inc. and its subsidiaries' (Damar) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Damar's major federal program for the year ended June 30, 2021. Damar'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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Damar'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 Damar'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 major federal program. However, our audit does not provide a legal determination of Damar's compliance.

Opinion on the Major Federal Program

In our opinion, Damar 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, 2021.

Report on Internal Control Over Compliance

Management of Damar 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 Damar'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 Damar'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.

BKD, LLP

Indianapolis, Indiana
October 26, 2021

Damar Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Modified Adverse Disclaimed

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?

Yes None reported

Material weakness(es)?

Yes No

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)?

Yes None reported

Material weakness(es)?

Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

Unmodified Modified Adverse Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

7. Damar's major program was:

Cluster/Program	CFDA Number
Coronavirus Relief Fund	21.019

Damar Services, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. Damar qualified as a low-risk auditee?

Yes No

Findings Required to be Reported by *Government Auditing Standards*

**Reference
Number**

Finding

No matters are reportable.

Findings Required to be Reported by the *Uniform Guidance*

**Reference
Number**

Finding

No matters are reportable.

Damar Services, Inc.
Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Finding	Status
No matters are reportable.		