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September 24, 2019

Board of Directors  
The Damien Center, Inc.  
26 North Arsenal Avenue  
Indianapolis, IN 46201

We have reviewed the audit report of The Damien Center, Inc. which was opined upon by Blue & Company, LLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The Damien Center, Inc. as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Company, LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner



**DAMIEN**<sup>SM</sup>  
C E N T E R

*Leaders in HIV/AIDS Prevention+Care*

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018 AND 2017**

CPAs / ADVISORS



**THE DAMIEN CENTER, INC.**

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DECEMBER 31, 2018 AND 2017

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of The Damien Center, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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.

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, 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.

### Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 20 through 23 is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. The accompanying consolidated schedule of expenditures of federal awards on pages 24 and 25 as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or 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 have also issued our report dated May 30, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
May 30, 2019

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## THE DAMIEN CENTER, INC.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

<b>ASSETS</b>		
	2018	Restated 2017
	<u>2018</u>	<u>2017</u>
<b>Current assets</b>		
Cash	\$ 362,838	\$ 362,823
Grants receivable	676,015	539,182
Accounts receivable, net	567,999	249,257
Prepaid expenses and inventory	66,598	68,353
Total current assets	<u>1,673,450</u>	<u>1,219,615</u>
<b>Property and equipment</b>		
Land	177,378	177,378
Building and improvements	2,270,791	2,270,791
Furnishings and equipment	402,753	402,753
Technology	285,892	284,132
Automobiles	27,852	27,852
	<u>3,164,666</u>	<u>3,162,906</u>
Less accumulated depreciation	<u>1,331,625</u>	<u>1,223,185</u>
Total property and equipment, net	<u>1,833,041</u>	<u>1,939,721</u>
Total assets	<u><u>\$ 3,506,491</u></u>	<u><u>\$ 3,159,336</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 343,881	\$ 262,359
Accrued salaries and related expenses	101,587	105,961
Other current liabilities	9,927	51,253
Line of credit	290,846	255
Current portion of capital leases	13,352	10,025
Total current liabilities	<u>759,593</u>	<u>429,853</u>
<b>Long-term debt</b>		
Capital leases, net of current portion	<u>1,990</u>	<u>15,342</u>
Total liabilities	<u>761,583</u>	<u>445,195</u>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	2,357,263	2,393,786
Board designated	<u>100,000</u>	<u>100,000</u>
Total unrestricted net assets	<u>2,457,263</u>	<u>2,493,786</u>
With donor restrictions	<u>287,645</u>	<u>220,355</u>
Total net assets	<u>2,744,908</u>	<u>2,714,141</u>
Total liabilities and net assets	<u><u>\$ 3,506,491</u></u>	<u><u>\$ 3,159,336</u></u>

See accompanying notes to the consolidated financial statements.

## THE DAMIEN CENTER, INC.

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	Restated 2017
<b>Operating revenue and public support</b>		
Special events	\$ 302,311	\$ 401,225
Less cost of direct benefits to donors	(60,568)	(56,924)
Special events, net	241,743	344,301
Net client service revenue	219,695	305,115
Grant service contracts	3,711,281	3,384,277
Medical assistance program	946,569	660,841
Contract fees	2,815,052	462,150
Bequests and contributions	230,079	335,390
United Way of Central Indiana, Inc.		
Allocation and donor designated	52,069	61,418
General operations	41,978	44,792
Private grants	15,451	31,596
In-kind	56,682	57,761
Other	15,782	14,784
Net assets released from restriction	164,849	345,979
Total operating revenue and public support	8,511,230	6,048,404
<b>Operating expenses</b>		
Salaries and fringe benefits	3,084,248	2,938,556
Emergency assistance	2,048,115	1,668,185
Contract labor	2,006,301	11,861
Professional services and fees	624,973	671,113
Events	51,887	25,382
Program materials and supplies	119,257	181,079
Travel and communication	84,886	97,779
Advertising and promotion	32,565	31,693
Printing and postage	19,087	24,254
Office supplies and expendables	50,413	67,172
Insurance	72,640	59,373
Facility maintenance and utilities	114,381	109,567
Depreciation	108,440	85,173
In-kind	73,697	86,025
Other	56,863	53,470
Total operating expenses	8,547,753	6,110,682
Change in net assets without donor restrictions	(36,523)	(62,278)
<b>Net assets with donor restrictions</b>		
Contributions and other support	215,124	251,276
In-kind contributions	17,015	28,264
Net assets released from restriction	(164,849)	(345,979)
Change in net assets with donor restrictions	67,290	(66,439)
Change in net assets	30,767	(128,717)
<b>Net assets</b>		
Beginning of year	2,714,141	2,842,858
End of year	\$ 2,744,908	\$ 2,714,141

See accompanying notes to the consolidated financial statements.

## THE DAMIEN CENTER, INC.

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<b>Operating activities</b>		
Change in net assets	\$ 30,767	\$ (128,717)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	108,440	85,173
Provision for bad debts	10,932	15,542
Changes in operating assets and liabilities		
Grants receivable	(136,833)	(206,668)
Accounts receivable	(329,674)	59,475
Prepaid expenses and inventory	1,755	(7,587)
Accounts payable	81,522	84,123
Accrued salaries and related expenses	(4,374)	(14,879)
Other current liabilities	(41,326)	51,508
Net cash flows from operating activities	(278,791)	(62,030)
<b>Investing activities</b>		
Purchase of property and equipment	(1,760)	(40,598)
<b>Financing activities</b>		
Borrowings on line of credit	319,747	30,000
Payments on line of credit	(29,156)	(30,000)
Payments on capital leases	(10,025)	(8,126)
Net cash flows from financing activities	280,566	(8,126)
Net change in cash	15	(110,754)
<b>Cash</b>		
Beginning of year	362,823	473,577
End of year	\$ 362,838	\$ 362,823
<b>Supplemental disclosures of cash flows information</b>		
Cash paid for interest	\$ 14,528	\$ 7,785
<b>Noncash investing and financing activities</b>		
Property acquired through capital leases	\$ -0-	\$ 33,493

See accompanying notes to the consolidated financial statements.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Damien Center, Inc. (the Center) is a non-profit entity incorporated on April 1, 1987, under the laws of the State of Indiana and commenced operations in June 1987. The Center provides and coordinates services for persons living with or affected by Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) in the Indianapolis community and actively advocates for a just and compassionate response to their needs. In so doing, the Center serves as a comprehensive center for the education, counseling, and support of HIV and AIDS infected individuals (and their families and friends) within the Indianapolis community. The Center's revenue and support are from reimbursed cost and fee for service contracts with the U.S. Department of Health and Human Services, Indiana State Department of Health, Marion County Health Department, and the City of Indianapolis.

#### Principles of Consolidation

The accompanying consolidated financial statements of the Center include the financial statements of the Center and its affiliates, Damien Cares, Inc. (the Clinic), and 1416 East Washington, LLC (1416 East). These entities are collectively referred to as the "Organization". All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Center has control and economic interest in the Clinic and is the sole member of 1416 East. The Clinic is a not-for-profit entity formed in August 2015 whose mission is to provide medical services to HIV affected individuals, including those who are clients of the Center. 1416 East is a Limited Liability Company (LLC) founded in 2015 whose purpose is to acquire, hold, and lease real property.

A description of the Organization's more significant program services is as follows:

#### Care Coordination

Care Coordination is comprehensive, specialized, free case management that connects individuals living with HIV to the resources they need to live long, fulfilling lives. Care coordinators help individuals access medical care, housing support, and other services and programs.

#### Housing & Emergency Assistance

Housing and Emergency Assistance helps clients have safe, stable, and affordable housing and incidental assistance such as utilities, transportation to medical appointments, medication copays, food, and other necessities.

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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#### Prevention Services

Prevention services reaches out to local communities to provide education and assistance with accessing services, speaking in classrooms, or providing HIV 101 education to employers. Prevention services contributes to create a community that is more informed about how HIV affects everyone.

#### Client Services

The Clinic provides services funded by the Ryan White Parts A and C Services Grant. These include primary, infectious disease, and psychiatric outpatient care and treatment and HIV counseling and testing services.

#### Medical Assistance

The Medical Assistance Program provides clients with financial assistance with medication copays. To ensure compliance with medication regimens, this Program provides monthly assistance for clients who have no other financial resources to pay for medication copays.

#### Capacity Building

The Organization's capacity building initiative expands programmatic and organizational capacities to develop and enhance impactful, outcome driven programs and services for those individuals affected by HIV/AIDS. These capacities include adding two infectious disease/primary care nurse practitioners, a psychiatric nurse practitioner, billing and code specialists, medical exam rooms, plumbing upgrades, lab room, website/marketing, and phone and computer equipment.

#### Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables, and other liabilities.

#### Use of Estimates

The preparation of the consolidated 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 at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

#### Cash

While the Organization's cash at times may exceed federally insured limits, the Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on these accounts.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### Grants and Accounts Receivable and Revenue Recognition

Grant service and contract fees revenue and the related receivables are recorded at the time services are performed. Accounts receivable are recorded at net contracted amounts. Net client service revenue and medical assistance program revenue are reported at the estimated net realizable amounts due from contracted third party payors and pharmacies for services rendered and includes estimated retroactive adjustments under reimbursement agreements with the third party payors and pharmacies. Gross client service revenue for 2018 and 2017 was approximately \$653,000 and \$921,000, respectively, with contractual adjustments of approximately \$433,000 and \$616,000, respectively.

Grants and accounts receivable are reduced by an allowance for uncollectible accounts based on the Organization's evaluation of the aging of the accounts, historical losses, current economic conditions, and other factors unique to its clients and service area. As of December 31, 2018 and 2017, there were no allowances for grants receivable as management expects to fully collect these balances. The allowance for uncollectible accounts receivable was approximately \$44,000 and \$33,000 as of December 31, 2018 and 2017, respectively.

The Organization derives a significant portion of its revenue from Federal and state funding programs. The receipt of future revenues by the Organization is subject to among other factors, federal and state policies affecting the Organization's mission, economic conditions that may include an inability to control expenses in periods of inflation and other conditions which are impossible to predict.

### Inventory

Inventories, which consist mainly of vaccines, are valued at net realizable value. Cost is determined on the first-in, first-out method.

### Property and Equipment and Depreciation

Assets are recorded at historical cost or, if contributed, at the estimated fair value at the date of the gift. The Organization capitalizes additions of fixed assets in excess of \$1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets.

Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of activities and changes in net assets.

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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The following table summarizes the estimated useful lives of property and equipment

	<u>Years</u>
Building and improvements	7-40
Furnishings and equipment	3-15
Technology	3-7
Automobiles	5

#### Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* – represent the net assets of the Organization that do not have donor-imposed stipulations, and are comprised of undesignated and designated net assets. Undesignated net assets are not subject to donor-imposed stipulations or Board of Director imposed restrictions. Designated net assets are subject to stipulations and designations imposed by the Board of Directors and determined to be unavailable for general use. The Organization reported board designated net assets of \$100,000 as of December 31, 2018 and 2017 for the Client Assurance Fund, which provides financial assistance and support to the Organization’s clients.

*Net assets with donor restrictions* – represent the net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization.

#### In-Kind Contributions

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributions of assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Organization received donated materials and services as follows for 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Charitable auction items	\$ 55,682	\$ 56,761
Printing services	1,000	1,000
Food pantry	17,015	28,264
	<u>\$ 73,697</u>	<u>\$ 86,025</u>

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## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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Volunteers provide program and fund-raising services throughout the year that are not recognized as contributions in the consolidated financial statements since they do not meet the criteria for recognition. These services include volunteering at events, picking up donations and various clerical work.

#### Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization and are recorded at their fair value as revenues and assets in that same period. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are reported as increases in net assets without donor restrictions. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

#### Advertising and Promotion

The Organization incurred approximately \$33,000 and \$32,000 in advertising and promotion expense for 2018 and 2017, respectively. These costs were expensed as incurred.

#### Income Taxes

The Center and the Clinic are not-for-profit organizations exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been reflected in the related consolidated financial statements. Both are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

1416 East is organized as a LLC, whereby net taxable income is taxed directly to the Center and not 1416 East. Since the Center is the sole member of 1416 East, it is treated as a disregarded entity under the appropriate code of the IRC. As such, the financial activity of 1416 East is included in the Center's Federal Form 990 Return of Organization Exempt from Income Tax.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Organization has filed its federal and state income tax returns through December 31, 2017. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### Reclassifications

Certain amounts in the prior-year consolidated financial statements have been reclassified in order to conform with the current year presentation. The reclassifications have no impact on previously reported net assets or change in net assets.

### Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the consolidated financial statements are available to be issued.

### Subsequent Events

The Organization evaluated events or transactions occurring subsequent to the consolidated statement of financial position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued which is May 30, 2019.

### Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". In August 2015, FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organization is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidelines about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that that revenue is recognized. The Organization will be required to adopt this new standard in the year ending December 31, 2019.

The Organization is presently evaluating the effects that these ASUs will have on its future consolidated financial statements, including related disclosures.

### 2. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted FASB ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the consolidated financial statements and notes about its liquidity, financial performance and cash flows. The Organization has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year consolidated financial statements. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding net assets with donor restrictions (Note 9), liquidity and availability of resources (Note 10) and disclosures related to the functional allocation of expenses were expanded (Note 11). The impact of the adoption of ASU No. 2016-14 on the Organization's net assets is as follows:

<b>Consolidated statement of financial position</b>	Previously Reported 12/31/17	Adjustments	Restated 12/31/17
Net assets			
Unrestricted	\$ 2,393,786	\$ (2,393,786)	\$ -0-
Board designated	100,000	(100,000)	-0-
Temporarily restricted	220,355	(220,355)	-0-
Without donor restrictions - undesignated	-0-	2,393,786	2,393,786
Without donor restrictions - board designated	-0-	100,000	100,000
With donor restrictions	-0-	220,355	220,355
	<u>\$ 2,714,141</u>	<u>\$ -0-</u>	<u>\$ 2,714,141</u>
<b>Consolidated statement of activities and changes in net assets</b>	Previously Reported 12/31/17	Adjustments	Restated 12/31/17
Change in unrestricted	\$ (62,278)	\$ 62,278	\$ -0-
Change in temporarily restricted	(66,439)	66,439	-0-
Change in without donor restrictions	-0-	(62,278)	(62,278)
Change in with donor restrictions	-0-	(66,439)	(66,439)
	<u>\$ (128,717)</u>	<u>\$ -0-</u>	<u>\$ (128,717)</u>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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#### 3. LINE OF CREDIT

The Organization maintains a \$500,000 line of credit with a local financial institution to support short-term working capital needs. The line of credit matures in March 2019 with interest at the financial institution's prime rate of 5.50% as of December 31, 2018. Borrowings against the line of credit are secured by substantially all assets of the Organization. As of December 31, 2018 and 2017, there was an outstanding balance on the line of credit in the approximate amount of \$291,000 and \$300, respectively. Interest expense associated with the line of credit for 2018 and 2017 was approximately \$10,200 and \$1,600, respectively, and recorded within other operating expenses in the consolidated statements of activities and changes in net assets. The line has been renewed through September 2019 with a maximum line of credit in the amount of \$350,000.

#### 4. LEASES

##### Capital Leases

The Organization leases equipment under agreements, which require monthly payments through October 2020. The assets are depreciated over their estimated useful lives of five years. The cost and accumulated depreciation of the equipment under the capital leases as of December 31, 2018 and 2017 are as follows:

	2018	2017
Cost	\$ 44,267	\$ 44,267
Less accumulated depreciation	35,106	28,638
	<u>\$ 9,161</u>	<u>\$ 15,629</u>

The required minimum capital lease payments for the years following December 31, 2018 are as follows:

Year Ending <u>December 31,</u>	
2019	\$ 14,349
2020	5,318
Total future minimum lease payments	<u>19,667</u>
Less interest	<u>4,325</u>
	15,342
Less current portion	<u>13,352</u>
Long-term portion	<u>\$ 1,990</u>

Interest expense associated with capital lease obligations for 2018 and 2017 was approximately \$4,300 and \$6,200, respectively, and recorded within other operating expenses in the consolidated statements of activities and changes in net assets.

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# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### Operating Leases

The Organization has various operating leases agreements for equipment and space expiring through 2020. Lease expense related to operating leases for 2018 and 2017 was approximately \$21,000 and \$23,000, respectively, and is recorded in office supplies and expendables, and facility maintenance and utilities in the consolidated statements of activities and change in net assets.

The future rental payments under these operating leases are as expected to approximate \$20,000 in 2019 and \$10,000 in 2020.

### **5. RETIREMENT PLAN**

The Organization has a 403(b) plan for employees who meet certain eligibility requirements. The plan permits eligible employees, through payroll deductions, to contribute up to maximum allowable under the IRC (for 2018 - \$18,500 annually with a catch up contribution of \$6,000 for employees age 50 and over). Matching contributions to the plan are at the discretion of the Organization's Board of Directors. There were no matching contributions to the plan by the Organization during 2018 and 2017.

### **6. RELATED PARTY TRANSACTIONS**

Donations of goods, services, or cash from board members and/or their respective employers totaled approximately \$26,800 and \$26,600 for 2018 and 2017, respectively.

### **7. COMMITMENTS AND CONTINGENCIES**

The Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Organization's consolidated financial position, results of operations, changes in net assets, and cash flows.

Under the terms of the Federal grants, periodic audits are required and certain costs may be challenged as to allowability under the terms of the grants. Such audits could lead to reimbursements to the Department of Health and Human Services, Department of Housing and Urban Development, and the Corporation for National and Community Service.

### **8. FEDERAL, STATE AND LOCAL AWARDS**

*Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose Federal, state and local awards expended during the entities' annual reporting period. Federal awards for 2018 are disclosed in the Schedule of Expenditures of Federal Awards as supplementary information to the consolidated financial statements.

**THE DAMIEN CENTER, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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During 2018 and 2017, the Organization expended the following state awards:

Program and grantor	2018	2017
Indiana State Department of Health		
State AIDS Special Projects	\$ 66,331	\$ 54,532
HIV Prevention - Non-Medical Case Management	26,571	-0-
	\$ 92,902	\$ 54,532

State expenditures along with Federal grants are reported in the consolidated statements of activities and changes in net assets under grant service contracts, private grants, contributions with donor restrictions, and other support, and contract fees. The following is a summary of federal and state awards for 2018 and 2017:

From consolidated statement of activities		
and changes in net assets	2018	2017
Grant service contracts	\$ 3,711,281	\$ 3,384,277
Private grants	15,451	31,596
Contributions and other support (with donor restrictions)	10,381	93,467
Contract fees	2,815,052	462,150
	\$ 6,552,165	\$ 3,971,490
Amounts reported in		
Schedule of expenditures of federal awards	\$ 6,459,263	\$ 3,916,958
State awards	92,902	54,532
	\$ 6,552,165	\$ 3,971,490

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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#### 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	2018	Restated 2017
Subject to expenditure for specific purpose		
Client services	\$ 150,000	\$ 150,000
Other programs		
Legal services	38,465	24,715
Client education	3,650	-0-
Prevention outreach and testing	28,106	-0-
Care coordination	1,856	1,856
Housing	30,000	11,364
Total other programs	102,077	37,935
Food pantry	35,568	32,420
	<u>\$ 287,645</u>	<u>\$ 220,355</u>

#### 10. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash	\$ 362,838
Grants receivable	676,015
Accounts receivable, net	567,999
Less: board-designated net assets	100,000
Total financial assets available within one year	<u>\$ 1,506,852</u>

Accounts and grants receivable are subject to implied time restrictions, but are expected to be collected within one year. As a part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization could also draw upon of available lines of credit (as further discussed in Note 3).

**THE DAMIEN CENTER, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

**11. FUNCTIONAL EXPENSES**

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Operating expenses that are allocated include: depreciation, which is allocated based on square footage; salaries and fringe benefits, which are allocated based on estimates of time and effort; and emergency assistance and contract labor, which are allocated based on revenues derived from the funding source. The remaining operating expenses below were allocated based on program staffing (employed and contracted). Grant funding requirements may cap the amount of operating expenses charged to a program, and in these cases, the expense is classified as management and general activity. Supporting activity expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Organization. Management periodically evaluates its allocation method and revises it when necessary. Although the methods used were appropriate, alternative methods may provide different results. The costs of providing various services and other activities for the year ended December 31, 2018 were as follows:

	December 31, 2018									
	Program Services					Supporting Activities				
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Clinic Services	Prevention	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries and fringe benefits	\$ 794,895	\$ 129,189	\$ 703,050	\$ 722,862	\$ 280,571	\$ 2,630,567	\$ 278,239	\$ 175,442	\$ 453,681	\$ 3,084,248
Emergency assistance	-	-	1,385,575	653,594	6,894	2,046,063	2,052	-	2,052	2,048,115
Contract labor	565	2,001,116	173	-	346	2,002,200	4,101	-	4,101	2,006,301
Professional services and fees	51,683	133,429	36,008	118,204	23,019	362,343	240,811	21,819	262,630	624,973
Events	-	-	206	-	-	206	6,722	105,527	112,249	112,455
Program materials and supplies	20	341	21,414	90,380	1,986	114,141	4,510	606	5,116	119,257
Travel and communication	5,788	11,755	13,818	14,331	19,167	64,859	16,948	3,079	20,027	84,886
Advertising and promotion	542	28	34	-	10,085	10,689	12,228	9,648	21,876	32,565
Printing and postage	2,534	3,120	1,395	601	2,293	9,943	1,792	7,352	9,144	19,087
Office supplies and expendables	7,673	9,000	4,706	7,698	3,147	32,224	7,204	10,985	18,189	50,413
Insurance	7,526	7,031	2,663	37,599	3,296	58,115	14,017	508	14,525	72,640
Facility maintenance and utilities	20,857	19,113	9,420	16,276	8,843	74,509	39,752	120	39,872	114,381
Depreciation	8,213	-	36,614	1,930	12,253	59,010	43,874	5,555	49,430	108,440
In-kind	-	-	17,015	-	-	17,015	-	56,682	56,682	73,697
Other	2,465	2,516	1,669	32,174	1,573	40,397	10,578	5,888	16,466	56,863
Total expenses by function	<u>902,761</u>	<u>2,316,638</u>	<u>2,233,760</u>	<u>1,695,649</u>	<u>373,473</u>	<u>7,522,281</u>	<u>682,828</u>	<u>403,211</u>	<u>1,086,040</u>	<u>8,608,321</u>
Less expense included with revenues on the consolidated statement of activities:										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(60,568)	(60,568)	(60,568)
Total expenses included in the expense section on the consolidated statement of activities	<u>\$ 902,761</u>	<u>\$ 2,316,638</u>	<u>\$ 2,233,760</u>	<u>\$ 1,695,649</u>	<u>\$ 373,473</u>	<u>\$ 7,522,281</u>	<u>\$ 682,828</u>	<u>\$ 342,643</u>	<u>\$ 1,025,472</u>	<u>\$ 8,547,753</u>

**THE DAMIEN CENTER, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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Expenses related to providing these services for the year ended December 31, 2017 were as follows:

	<u>2017</u>
Program services	\$ 5,200,748
General and administrative	625,962
Fundraising	<u>283,972</u>
	<u>\$ 6,110,682</u>

**SUPPLEMENTARY INFORMATION**

## THE DAMIEN CENTER, INC.

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

<b>ASSETS</b>	The Center	The Clinic	1416 East	Eliminations	Total
<b>Current assets</b>					
Cash	\$ 360,157	\$ 2,588	\$ 93	\$ -0-	\$ 362,838
Grants receivable	676,015	-0-	-0-	-0-	676,015
Accounts receivable, net	-0-	567,999	-0-	-0-	567,999
Due from related party	662,179	-0-	1,000	(663,179)	-0-
Prepaid expenses and inventory	26,997	39,601	-0-	-0-	66,598
Total current assets	<u>1,725,348</u>	<u>610,188</u>	<u>1,093</u>	<u>(663,179)</u>	<u>1,673,450</u>
<b>Property and equipment</b>					
Land	10,500	-0-	166,878	-0-	177,378
Building and improvements	2,270,791	-0-	-0-	-0-	2,270,791
Furnishings and equipment	393,103	9,650	-0-	-0-	402,753
Technology	285,892	-0-	-0-	-0-	285,892
Automobiles	27,852	-0-	-0-	-0-	27,852
	<u>2,988,138</u>	<u>9,650</u>	<u>166,878</u>	<u>-0-</u>	<u>3,164,666</u>
Less: accumulated depreciation	1,325,031	6,594	-0-	-0-	1,331,625
Total property and equipment, net	<u>1,663,107</u>	<u>3,056</u>	<u>166,878</u>	<u>-0-</u>	<u>1,833,041</u>
<b>Investment in subsidiary</b>	167,971	-0-	-0-	(167,971)	-0-
Total assets	<u>\$ 3,556,426</u>	<u>\$ 613,244</u>	<u>\$ 167,971</u>	<u>\$ (831,150)</u>	<u>\$ 3,506,491</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 112,945	\$ 230,936	\$ -0-	\$ -0-	\$ 343,881
Accrued salaries and related expenses	83,896	17,691	-0-	-0-	101,587
Other current liabilities	9,927	-0-	-0-	-0-	9,927
Due to related party	1,000	662,179	-0-	(663,179)	-0-
Line of credit	290,846	-0-	-0-	-0-	290,846
Current portion of capital leases	11,226	2,126	-0-	-0-	13,352
Total current liabilities	<u>509,840</u>	<u>912,932</u>	<u>-0-</u>	<u>(663,179)</u>	<u>759,593</u>
<b>Long-term debt</b>					
Capital leases, net of current portion	-0-	1,990	-0-	-0-	1,990
Total liabilities	<u>509,840</u>	<u>914,922</u>	<u>-0-</u>	<u>(663,179)</u>	<u>761,583</u>
<b>Net assets</b>					
Without donor restrictions					
Undesignated	2,658,941	(301,678)	167,971	(167,971)	2,357,263
Board designated	100,000	-0-	-0-	-0-	100,000
Total net assets without donor restrictions	<u>2,758,941</u>	<u>(301,678)</u>	<u>167,971</u>	<u>(167,971)</u>	<u>2,457,263</u>
With donor restrictions					
Total net assets	<u>287,645</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>287,645</u>
Total net assets	<u>3,046,586</u>	<u>(301,678)</u>	<u>167,971</u>	<u>(167,971)</u>	<u>2,744,908</u>
Total liabilities and net assets	<u>\$ 3,556,426</u>	<u>\$ 613,244</u>	<u>\$ 167,971</u>	<u>\$ (831,150)</u>	<u>\$ 3,506,491</u>

See Report of Independent Auditors on pages 1 - 2.

## THE DAMIEN CENTER, INC.

### CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2018

	The Center	The Clinic	1416 East	Eliminations	Total
<b>Operating revenue and public support</b>					
Special events	\$ 302,311	\$ -0-	\$ -0-	\$ -0-	\$ 302,311
Less cost of direct benefits to donors	(60,568)	-0-	-0-	-0-	(60,568)
Special events, net	241,743	-0-	-0-	-0-	241,743
Net client service revenue	-0-	219,695	-0-	-0-	219,695
Grant service contracts	2,866,834	844,447	-0-	-0-	3,711,281
Medical assistance program	-0-	946,569	-0-	-0-	946,569
Contract fees	2,719,470	95,582	-0-	-0-	2,815,052
Bequests and contributions	230,079	-0-	-0-	-0-	230,079
United Way of Central Indiana, Inc.:					
Allocation and donor designated	52,069	-0-	-0-	-0-	52,069
General operations	41,978	-0-	-0-	-0-	41,978
Private grants	15,451	-0-	-0-	-0-	15,451
In-kind	56,682	-0-	-0-	-0-	56,682
Other	40,793	4	-0-	(25,015)	15,782
Monthly services agreement	312,795	-0-	-0-	(312,795)	-0-
Net assets released from restriction	164,849	-0-	-0-	-0-	164,849
Total operating revenue and public support	6,742,743	2,106,297	-0-	(337,810)	8,511,230
<b>Operating expenses</b>					
Salaries and fringe benefits	2,395,359	688,889	-0-	-0-	3,084,248
Emergency assistance	1,394,521	653,594	-0-	-0-	2,048,115
Contract labor	2,004,901	1,400	-0-	-0-	2,006,301
Professional services and fees	508,168	116,805	-0-	-0-	624,973
Events	51,887	-0-	-0-	-0-	51,887
Program materials and supplies	26,427	92,830	-0-	-0-	119,257
Travel and communication	71,076	13,810	-0-	-0-	84,886
Advertising and promotion	32,565	-0-	-0-	-0-	32,565
Printing and postage	18,486	601	-0-	-0-	19,087
Office supplies and expendables	44,798	5,615	-0-	-0-	50,413
Insurance	35,041	37,599	-0-	-0-	72,640
Facility maintenance and utilities	98,105	16,276	-0-	-0-	114,381
Depreciation	106,510	1,930	-0-	-0-	108,440
In-kind	73,697	-0-	-0-	-0-	73,697
Other	42,542	352,131	29	(337,839)	56,863
Total operating expenses	6,904,083	1,981,480	29	(337,839)	8,547,753
Change in net assets without donor restrictions	(161,340)	124,817	(29)	29	(36,523)
<b>Net assets with donor restrictions</b>					
Contributions and other support	215,124	-0-	-0-	-0-	215,124
In-kind contributions	17,015	-0-	-0-	-0-	17,015
Net assets released from restriction	(164,849)	-0-	-0-	-0-	(164,849)
Change in net assets with donor restrictions	67,290	-0-	-0-	-0-	67,290
Change in net assets	(94,050)	124,817	(29)	29	30,767
<b>Net assets</b>					
Beginning of year	3,140,636	(426,495)	168,000	(168,000)	2,714,141
End of year	\$ 3,046,586	\$ (301,678)	\$ 167,971	\$ (167,971)	\$ 2,744,908

See Report of Independent Auditors on pages 1 - 2.

# THE DAMIEN CENTER, INC.

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017 (RESTATED)

<b>ASSETS</b>	The Center	The Clinic	1416 East	Eliminations	Total
<b>Current assets</b>					
Cash	\$ 357,504	\$ 5,197	\$ 122	\$ -0-	\$ 362,823
Grants receivable	539,182	-0-	-0-	-0-	539,182
Accounts receivable, net	-0-	249,257	-0-	-0-	249,257
Due from related party	570,636	-0-	1,000	(571,636)	-0-
Prepaid expenses and inventory	29,867	38,486	-0-	-0-	68,353
Total current assets	1,497,189	292,940	1,122	(571,636)	1,219,615
<b>Property and equipment</b>					
Land	10,500	-0-	166,878	-0-	177,378
Building and improvements	2,270,791	-0-	-0-	-0-	2,270,791
Furnishings and equipment	393,103	9,650	-0-	-0-	402,753
Technology	284,132	-0-	-0-	-0-	284,132
Automobiles	27,852	-0-	-0-	-0-	27,852
	2,986,378	9,650	166,878	-0-	3,162,906
Less: accumulated depreciation	1,218,521	4,664	-0-	-0-	1,223,185
Total property and equipment, net	1,767,857	4,986	166,878	-0-	1,939,721
<b>Investment in subsidiary</b>	168,000	-0-	-0-	(168,000)	-0-
Total assets	<u>\$ 3,433,046</u>	<u>\$ 297,926</u>	<u>\$ 168,000</u>	<u>\$ (739,636)</u>	<u>\$ 3,159,336</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 145,586	\$ 116,773	\$ -0-	\$ -0-	\$ 262,359
Accrued salaries and related expenses	74,939	31,022	-0-	-0-	105,961
Other current liabilities	51,253	-0-	-0-	-0-	51,253
Line of credit	255	-0-	-0-	-0-	255
Due to related party	1,000	570,636	-0-	(571,636)	-0-
Current portion of obligation under capital lease	8,151	1,874	-0-	-0-	10,025
Total current liabilities	281,184	720,305	-0-	(571,636)	429,853
<b>Long-term debt</b>					
Capital leases, net of current portion	11,226	4,116	-0-	-0-	15,342
Total liabilities	292,410	724,421	-0-	(571,636)	445,195
<b>Net assets</b>					
Without donor restrictions					
Undesignated	2,820,281	(426,495)	168,000	(168,000)	2,393,786
Board designated	100,000	-0-	-0-	-0-	100,000
Total net assets without donor restrictions	2,920,281	(426,495)	168,000	(168,000)	2,493,786
With donor restrictions					
	220,355	0	0	0	220,355
Total net assets	3,140,636	(426,495)	168,000	(168,000)	2,714,141
Total liabilities and net assets	<u>\$ 3,433,046</u>	<u>\$ 297,926</u>	<u>\$ 168,000</u>	<u>\$ (739,636)</u>	<u>\$ 3,159,336</u>

See Report of Independent Auditors on pages 1 - 2.

## THE DAMIEN CENTER, INC.

### CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2017 (RESTATED)

	The Center	The Clinic	1416 East	Eliminations	Total
<b>Operating revenue and public support</b>					
Special events	\$ 401,225	\$ -0-	\$ -0-	\$ -0-	\$ 401,225
Less cost of direct benefits to donors	(56,924)	-0-	-0-	-0-	(56,924)
Special events, net	344,301	-0-	-0-	-0-	344,301
Net client service revenue	-0-	305,115	-0-	-0-	305,115
Grant service contracts	2,658,986	725,291	-0-	-0-	3,384,277
Medical assistance program	0	660,841	-0-	-0-	660,841
Contract fees	402,319	59,831	-0-	-0-	462,150
Bequests and contributions	335,140	250	-0-	-0-	335,390
United Way of Central Indiana, Inc.:					
Allocation and donor designated	61,418	-0-	-0-	-0-	61,418
General operations	44,792	-0-	-0-	-0-	44,792
Private grants	31,596	-0-	-0-	-0-	31,596
In-kind	57,761	-0-	-0-	-0-	57,761
Other	41,678	4	-0-	(26,898)	14,784
Monthly services agreement	317,498	-0-	-0-	(317,498)	-0-
Net assets released from restriction	345,979	-0-	-0-	-0-	345,979
Total operating revenue and public support	4,641,468	1,751,332	-0-	(344,396)	6,048,404
<b>Operating expenses</b>					
Salaries and fringe benefits	2,317,455	621,101	-0-	-0-	2,938,556
Emergency assistance	1,160,170	508,015	-0-	-0-	1,668,185
Contract labor	9,605	2,256	-0-	-0-	11,861
Professional services and fees	469,483	201,630	-0-	-0-	671,113
Events	25,382	-0-	-0-	-0-	25,382
Program materials and supplies	40,545	140,534	-0-	-0-	181,079
Travel and communication	80,059	17,720	-0-	-0-	97,779
Advertising and promotion	31,648	45	-0-	-0-	31,693
Printing and postage	22,316	1,938	-0-	-0-	24,254
Office supplies and expendables	52,793	14,379	-0-	-0-	67,172
Insurance	32,484	26,889	-0-	-0-	59,373
Facility maintenance and utilities	91,988	17,579	-0-	-0-	109,567
Depreciation	83,243	1,930	-0-	-0-	85,173
In-kind	86,025	-0-	-0-	-0-	86,025
Other	36,079	361,787	-0-	(344,396)	53,470
Total operating expenses	4,539,275	1,915,803	-0-	(344,396)	6,110,682
Change in net assets without donor restrictions	102,193	(164,471)	-0-	-0-	(62,278)
<b>Net assets with donor restrictions</b>					
Contributions and other support	251,276	-0-	-0-	-0-	251,276
In-kind contributions	28,264	-0-	-0-	-0-	28,264
Net assets released from restriction	(345,979)	-0-	-0-	-0-	(345,979)
Change in net assets with donor restrictions	(66,439)	-0-	-0-	-0-	(66,439)
Change in net assets	35,754	(164,471)	-0-	-0-	(128,717)
<b>Net assets</b>					
Beginning of year	3,104,882	(262,024)	168,000	(168,000)	2,842,858
End of year	\$ 3,140,636	\$ (426,495)	\$ 168,000	\$ (168,000)	\$ 2,714,141

See Report of Independent Auditors on pages 1 - 2.

**THE DAMIEN CENTER, INC.**

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
<b>Major programs</b>			
Department of Health and Human Services (DHHS) - Pass through the Marion County Health Department (MCHD) - HIV Emergency Relief Project Grants	93.914	H89HA11463	\$ 841,627
Department of Housing and Urban Development (DHUD) Pass through the City of Indianapolis Department - of Metropolitan Development (CIDMD) - Housing Opportunities for Persons with AIDS	14.241	14904, 15819	706,369
Total major programs			<u>1,547,996</u>
<b>Non-major programs</b>			
DHHS - Pass through - Indiana State Department of Health (ISDH) -  HIV Care Formula Grant	93.917	19093, 29453, 20027, 20184, 24568, 25060, 23140,24965,24544	4,005,482
DHHS - Pass through - ISDH and The Health Foundation of Greater Indianapolis - HIV Care Formula Grant	93.917	N/A	30,000
DHHS - Pass through - MCHD - Sexually Transmitted Diseases (STD) Prevention Program		X08HA31247	7,853
Total for 93.917			<u>4,043,335</u>
HIV Prevention Activities - Health Department Based	93.940	24568	248,624
DHHS - Pass through - MCHD - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00112	180,779
DHUD - Pass through - CIDMD - Emergency Solutions Grant Program	14.231	2719	5,379
DHUD - Pass through - CIDMD - Shelter Plus Care (Continuum of Care)	14.267	IN0152L5H031601, IN0152L5H031702	433,150
Total non-major programs			<u>4,911,267</u>
Total federal expenditures			<u>\$ 6,459,263</u>

See Report of Independent Auditors on pages 1 - 2.  
See accompanying notes to consolidated schedule of expenditures of federal awards.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2018

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### **1. BASIS OF PRESENTATION FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying consolidated schedule of expenditures of federal awards (SEFA) includes the federal award activity of The Damien Center, Inc. and its affiliate, Damien Cares, Inc., collectively referred to as the "Organization", under programs of the federal government for the year ended December 31, 2018. The information in the consolidated SEFA 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 consolidated SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the consolidated SEFA 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. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

### **3. PASS THROUGH TO SUBRECIPIENTS**

No entities received pass-through federal awards from the Organization during 2018.



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**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

Report on the Consolidated Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Damien Center, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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.

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

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

#### Purpose of this Report

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

**Blue & Co., LLC**

Indianapolis, Indiana  
May 30, 2019



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## **REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Report on Compliance for Each Major Federal Program

We have audited The Damien Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization's internal control over compliance.

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

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

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

**Blue & Co., LLC**

Indianapolis, Indiana  
May 30, 2019

**THE DAMIEN CENTER, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018

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**Section I – Summary of audit results:**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal controls over major programs:

Material weakness(es) identified?  yes  none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR 200.516(a)]?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.241	Housing Opportunities for Persons with AIDS
93.914	HIV Emergency Relief Project Grants

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

Auditee qualified as low-risk auditee?  yes  no

**Section II:**

**Findings related to financial statements reported in accordance with *Government Auditing Standards* :**

No matters reported

**Section III:**

**Findings and questioned costs relating to Federal awards:**

No matters reported

**THE DAMIEN CENTER, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018

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**Section IV – Summary schedule of prior audit findings**

2017-001      Housing Opportunities for Persons with AIDS (HOPWA) Grant

*Condition:* This finding was a significant deficiency related to the special tests and provisions compliance requirement in which a quality inspection of a tenant unit was not completed prior to tenant occupancy.

*Recommendation:* The auditor recommends management assess the current review procedures to ensure quality inspections are completed prior to tenant occupancy.

*Current status:* No similar items were noted during the 2018 audit.