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October 14, 2020

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, 2019 to December 31, 2019. 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, 2019 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



DAMIENSM
C E N T E R

Leaders in HIV/AIDS Prevention+Care

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019 AND 2018

CPAs / ADVISORS



THE DAMIEN CENTER, INC.

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DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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.

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

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 financial position of the Organization as of December 31, 2019 and 2018, and the results of its operations, 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 Principles

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

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 24 through 27 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 28 and 29 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020 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 28, 2020

THE DAMIEN CENTER, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current assets		
Cash	\$ 410,141	\$ 362,838
Grants receivable	437,880	339,304
340B Program receivables	362,182	143,317
Accounts receivable	366,054	761,393
Prepaid expenses and inventory	108,423	66,598
Total current assets	1,684,680	1,673,450
Property and equipment		
Land	179,878	177,378
Building and improvements	2,603,274	2,270,791
Furnishings and equipment	486,058	402,753
Technology	303,326	285,892
Automobiles	27,852	27,852
	3,600,388	3,164,666
Less accumulated depreciation	1,417,938	1,331,625
Total property and equipment, net	2,182,450	1,833,041
Total assets	\$ 3,867,130	\$ 3,506,491

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 418,769	\$ 343,881
Accrued salaries and related expenses	141,689	101,587
Other current liabilities	9,927	9,927
Line of credit	49,875	290,846
Current portion of capital leases	14,193	13,352
Total current liabilities	634,453	759,593
Long-term debt		
Capital leases, net of current portion	40,167	1,990
Total liabilities	674,620	761,583
Net assets		
Without donor restrictions		
Undesignated	2,600,366	2,357,263
Board designated	100,000	100,000
Total unrestricted net assets	2,700,366	2,457,263
With donor restrictions	492,144	287,645
Total net assets	3,192,510	2,744,908
Total liabilities and net assets	\$ 3,867,130	\$ 3,506,491

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, 2019 AND 2018

	2019	2018
Operating revenue and public support		
Special events	\$ 368,623	\$ 302,311
Less cost of direct benefits to donors	(63,251)	(60,568)
Special events, net	305,372	241,743
Net client service revenue	305,934	219,695
Grant service contracts	2,947,802	2,354,994
340B Program, net	356,385	293,504
Contract fees	1,903,284	4,171,339
Bequests and contributions	203,306	230,079
United Way of Central Indiana, Inc.		
Allocation and donor designated	58,808	52,069
General operations	116,791	41,978
Private grants	103,801	15,451
In-kind	54,365	56,682
Other	33,057	15,782
Net assets released from restriction	258,499	164,849
Total operating revenue and public support	6,647,404	7,858,165
Operating expenses		
Salaries and fringe benefits	3,561,435	3,084,248
Emergency assistance	1,395,093	1,398,688
Contract labor	24,048	2,006,301
Professional services and fees	588,626	623,772
Events	48,753	51,887
Program materials and supplies	209,978	119,257
Travel and communication	112,337	82,475
Advertising and promotion	219,255	32,565
Printing and postage	15,173	19,087
Office supplies and expendables	71,124	50,413
Insurance	81,471	72,640
Facility maintenance and utilities	131,942	114,381
Depreciation	123,806	108,440
In-kind	73,816	73,697
Other	133,450	56,837
Total operating expenses	6,790,307	7,894,688
Revenues and public support under expenses	(142,903)	(36,523)
Nonoperating revenue (expense)		
Net assets released for capital improvements	386,006	-0-
Change in net assets without donor restrictions	243,103	(36,523)
Net assets with donor restrictions		
Contributions and other support	829,553	215,124
In-kind contributions	19,451	17,015
Net assets released from restriction	(644,505)	(164,849)
Change in net assets with donor restrictions	204,499	67,290
Change in net assets	447,602	30,767
Net assets		
Beginning of year	2,744,908	2,714,141
End of year	\$ 3,192,510	\$ 2,744,908

See accompanying notes to the consolidated financial statements.

THE DAMIEN CENTER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating activities		
Change in net assets	\$ 447,602	\$ 30,767
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	123,806	108,440
Provision for bad debts	-0-	10,932
Grants received for capital improvements	(600,000)	-0-
In-kind contributions received	(73,816)	(73,697)
Changes in operating assets and liabilities		
Grants receivable	189,234	273,575
340 Program receivables	(218,865)	(143,317)
Accounts receivable	395,339	(523,068)
Prepaid expenses and inventory	(41,825)	1,755
Accounts payable	74,888	81,522
Accrued salaries and related expenses	40,102	(4,374)
Other current liabilities	-0-	(41,326)
Net cash flows from operating activities	336,465	(278,791)
Investing activities		
Purchase of property and equipment	(410,490)	(1,760)
Financing activities		
Proceeds from grants received for capital improvements	386,006	-0-
Borrowings on line of credit	497,190	319,747
Payments on line of credit	(738,161)	(29,156)
Payments on capital leases	(23,707)	(10,025)
Net cash flows from financing activities	121,328	280,566
Net change in cash	47,303	15
Cash		
Beginning of year	362,838	362,823
End of year	\$ 410,141	\$ 362,838
Supplemental disclosures of cash flows information		
Cash paid for interest	\$ 19,177	\$ 14,502
Noncash investing and financing activities		
Property acquired through capital leases	\$ 62,725	\$ -0-

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

Clinic 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. This 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. Clinic Services includes 340B Program revenues and expenses discussed in a separate policy below.

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.

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, 2019 AND 2018

Accounts Receivable

Accounts receivable are recorded at net contracted amounts. Net client service revenue and contract fee revenue are reported at the estimated net realizable amounts due from contracted third party payors, including agencies, and includes estimated retroactive adjustments under reimbursement agreements with the third party payors. Gross client service revenue for 2019 and 2018 was approximately \$906,000 and \$653,000, respectively, with contractual adjustments of approximately \$600,000 and \$433,000, respectively. Contract fee revenue for 2019 and 2018 approximated \$1,903,000 and \$4,171,339, respectively, with no contractual adjustments recognized.

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. The allowance for uncollectible accounts receivable was approximately \$26,000 and \$44,000 as of December 31, 2019 and 2018, respectively.

Client Service Revenue and Contract Fees

Client service revenue and contract fee revenue are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client care. These amounts are due from clients, third-party payors, and others. Generally, the Organization bills the clients and third-party payors several days after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization 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. Generally, performance obligations satisfied over time relate to clients receiving services in clinic centers. The Organization measures the performance obligation from the commencement of a clinic service, to the point when it is no longer required to provide services to that client, which is generally at the time of completion of the clinic services. The method of reimbursement for the Organization is fee for service. The timing of revenue and recognition for clinic services is transferred over time.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Grants Receivable and Public Support

The Organization derives a significant portion of its revenue from Federal and state funding programs. These revenues may be recognized as grant service contracts and private grants. 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. These revenues are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by the Organization as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The Organization did not have refundable advances as of December 31, 2019 and 2018. The Organization did recognize receivables from these programs of approximately \$438,000 and \$339,000 as of December 31, 2019 and 2018, respectively, which is included in grants receivables on the consolidated statements of financial position.

340B Program Revenue

The Organization is a participant in the 340B Drug Discount Program (the 340B Program) which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Program is managed by the Health Resource and Services Administration Office of Pharmacy Affairs. The Organization earns revenue under the 340B Program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Organization. Revenue is recognized when the performance obligations are satisfied which is traditionally at the point of sale when the prescription is filled by the third-party contracted pharmacy. During 2019 and 2018, the Organization recognized net revenue related to the 340B Program of approximately \$356,000 and \$294,000, respectively, on the consolidated statements of activities and changes in net assets, which included related expenses of approximately \$1,335,000 and \$653,000, respectively. As the Organization is considered an agent in the 340B Program, the expenses related to the 340B Program including drug costs, dispensing and other administrative fees are netted in revenue for financial reporting.

Inventory

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

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 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, 2019 and 2018 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.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 (with and without restriction) are offset by like amounts included in expenses or additions to property and equipment.

The Organization received donated materials and services as follows for 2019 and 2018:

	2019	2018
Charitable auction items	\$ 53,365	\$ 55,682
Printing services	1,000	1,000
Food pantry	19,451	17,015
	<u>\$ 73,816</u>	<u>\$ 73,697</u>

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.

Special Events

The Organization conducts special events to raise funds for its exempt purposes in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct benefits to donors in the consolidated statements of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. Special event receipts are reported net of direct benefits received by the donor in the consolidated statements of activities and changes in net assets.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. The Organization recognizes all contributions as income in the period received. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as 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 statement of activities and changes in net assets as net assets released from restrictions. Contributions that are received and whose restrictions are satisfied within the same reporting period are reported as net assets without donor restrictions. The Organization also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

Advertising and Promotion

The Organization incurred approximately \$219,000 and \$33,000 in advertising and promotion expense for 2019 and 2018, 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, 2019 and 2018, 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, 2018. 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, 2019 AND 2018

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.

Recently Issued Accounting Standards

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This standard, which the Organization is not required to adopt until its year ending December 31, 2021, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet 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.

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

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 28, 2020.

2. CHANGE IN ACCOUNTING PRINCIPLES

ASU 2014-09

On January 1, 2019, the Organization adopted the revenue recognition accounting standard issued by FASB and codified in the FASB Accounting Standards Codification ("ASC") as topic 606 ("ASC 606"). The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Organization's revenue recognition policies and significant judgments employed in the determination of revenue.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The Organization applied the modified retrospective approach to all contracts when adopting ASC 606. As a result, upon the Organization's adoption of ASC 606 the majority of what was previously classified as the provision for bad debts in the consolidated statements of activities and changes in net assets is now reflected as implicit price concessions (as defined in ASC 606) and therefore is included as a reduction to net client service revenue in 2019. For changes in credit issues not assessed at the date of service, the Organization prospectively recognizes those amounts in operating expenses on the consolidated statements of activities and changes in net assets, if any. For periods prior to the adoption of ASC 606, the provision for bad debts was presented consistent with the previous revenue recognition standards but due to the insignificant amount of approximately \$11,000 as of December 31, 2018, the provision was shown as a component of net client service revenues.

Other than these changes, the adoption of ASC 606 did not have a material impact on the 2019 consolidated financial statements and the Organization does not expect it to have a material impact on its consolidated results of operations on a prospective basis. As part of the adoption of ASC 606, the Organization elected two of the available practical expedients provided for in the standard. First, the Organization does not adjust the transaction price for any financing components as those were deemed insignificant. Additionally, the Organization expenses all incremental customer contract acquisition costs as incurred because such costs are not material and would be amortized over a period less than one year.

340B Program Revenue under ASC 606:

Under ASC 606, the Organization was considered to be an agent in the revenue recognition process for the 340B Program. As a result, the expenses for the 340B Program are netted with the 340B Program revenues in the consolidated statements of activities and changes in net assets. As such, approximately \$653,000 of 340B Program expenses for 2018 were reclassified to 340B Program revenue which resulted in net 340B Program revenue of approximately \$294,000 for 2018.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

ASU 2018-08

Effective January 1, 2019, the Organization adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves current guidance 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. 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 revenue is recognized. The adoption of ASU 2018-08 did not have a material impact on the 2019 consolidated financial statements.

3. LINE OF CREDIT

The Organization maintains a \$350,000 line of credit with a local financial institution to support short-term working capital needs. The line of credit matures in September 2020 with interest at the financial institution's prime rate of 4.75% as of December 31, 2019. Borrowings against the line of credit are secured by substantially all assets of the Organization. As of December 31, 2019 and 2018, there was an outstanding balance on the line of credit in the approximate amount of \$50,000 and \$291,000, respectively.

Interest expense associated with the line of credit for 2019 and 2018 was approximately \$12,000 and \$10,200, respectively, and recorded within other operating expenses in the consolidated statements of activities and changes in net assets.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. LEASES

Capital Leases

The Organization leases equipment under agreements, which require monthly payments through February 2024. 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, 2019 and 2018 are as follows:

	2019	2018
Cost	\$ 62,725	\$ 44,267
Less accumulated depreciation	9,409	35,106
	\$ 53,316	\$ 9,161

The required minimum capital lease payments for the years following December 31, 2019 are as follows:

	Year Ending December 31,				
	2020	\$	19,741	\$	14,349
	2021		16,649		5,318
	2022		16,649		-0-
	2023		16,649		-0-
	2024		4,162		-0-
Total future minimum lease payments			73,850		19,667
Less interest			19,490		4,325
			54,360		15,342
Less current portion			14,193		13,352
Long-term portion		\$	40,167	\$	1,990

Interest expense associated with capital lease obligations for 2019 and 2018 was approximately \$7,000 and \$4,300, respectively, and recorded within other operating expenses in the consolidated statements of activities and changes in net assets.

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 2019 - \$19,000 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 2019 and 2018.

6. RELATED PARTY TRANSACTIONS

Donations of goods, services, or cash from board members and/or their respective employers totaled approximately \$34,800 and \$26,800 for 2019 and 2018, 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 2019 are disclosed in the Schedule of Expenditures of Federal Awards as supplementary information to the consolidated financial statements.

During 2019 and 2018, the Organization expended the following state awards:

Program and grantor	2019	2018
Indiana State Department of Health		
State AIDS Special Projects	\$ 66,531	\$ 66,331
Linkage to Care	273,135	-0-
HIV Prevention	145,579	26,571
	<u>\$ 485,245</u>	<u>\$ 92,902</u>

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 2019 and 2018:

	2019	2018
From consolidated statement of activities		
and changes in net assets		
Grant service contracts	\$ 2,947,802	\$ 2,354,994
Private grants	18,117	15,451
Contributions and other support (with donor restrictions)	549,959	10,381
Contract fees	1,903,284	4,171,339
	\$ 5,419,162	\$ 6,552,165
Amounts reported in		
Schedule of expenditures of federal awards	\$ 4,937,064	\$ 6,459,263
Less: federal expenditures recognized in current year, recorded as revenues in prior year	(3,147)	-0-
State awards	485,245	92,902
	\$ 5,419,162	\$ 6,552,165

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	2019	2018
Subject to expenditure for specific purpose		
Client services	\$ 288,636	\$ 150,000
Food pantry	50,924	35,568
Other programs		
Legal services	34,003	38,465
Children's benefits	81,000	-0-
Client education	3,085	3,650
Prevention outreach and testing	-0-	28,106
Care coordination	1,856	1,856
Housing	32,640	30,000
Total other programs	152,584	102,077
	\$ 492,144	\$ 287,645

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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:

	2019	2018
Financial assets		
Cash	\$ 410,141	\$ 362,838
340B Program receivables	362,182	143,317
Grants receivable	437,880	339,304
Accounts receivable, net	366,054	761,393
Less: board-designated net assets	(100,000)	(100,000)
Total financial assets	<u>\$ 1,476,257</u>	<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).

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, 2019 and 2018 were as follows:

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

	December 31, 2019								
	Program Services				Supporting Activities				
	Care Coordination	Housing & Emergency Assistance	Clinic Services	Prevention	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Operating expenses by function									
Salaries and fringe benefits	\$ 592,675	\$ 545,872	\$ 1,390,301	\$ 309,397	\$ 2,838,245	\$ 458,459	\$ 264,731	\$ 723,190	\$ 3,561,435
Emergency assistance	-0-	1,296,684	1,399,409	290	2,696,383	(492)	-0-	(492)	2,695,891
Contract labor	1,457	745	15,000	1,020	18,222	2,926	2,900	5,826	24,048
Professional services and fees	45,149	46,856	166,644	13,949	272,598	305,148	24,690	329,838	602,436
Events	-0-	300	-0-	-0-	300	2,836	108,868	111,704	112,004
Program materials and supplies	-0-	30,429	170,181	3,159	203,769	1,568	6,749	8,317	212,086
Travel and communication	8,004	7,065	35,328	29,462	79,859	44,145	2,439	46,584	126,443
Advertising and promotion	-0-	-0-	92,210	69,948	162,158	39,807	17,290	57,097	219,255
Printing and postage	995	800	2,388	2,245	6,428	2,930	5,815	8,745	15,173
Office supplies and expendables	7,837	5,168	10,838	2,492	26,335	35,952	8,857	44,809	71,144
Insurance	6,881	3,883	47,025	2,097	59,886	21,585	-0-	21,585	81,471
Facility maintenance and utilities	18,670	10,481	13,157	5,573	47,881	83,941	120	84,061	131,942
Depreciation	8,839	39,406	9,174	13,187	70,606	47,221	5,979	53,200	123,806
In-kind	-0-	19,451	-0-	-0-	19,451	-0-	54,365	54,365	73,816
Other	6,534	6,107	74,447	7,368	94,456	38,389	4,657	43,046	137,502
Total operating expenses by function	697,041	2,013,247	3,426,102	460,187	6,596,577	1,084,415	507,460	1,591,875	8,188,452
Less expense included with revenues on the consolidated statement of activities:									
340B Program Costs	-0-	-0-	(1,334,894)	-0-	(1,334,894)	-0-	-0-	-0-	(1,334,894)
Cost of direct benefits to donors	-0-	-0-	-0-	-0-	-0-	-0-	(63,251)	(63,251)	(63,251)
Total expenses included in the expense section on the consolidated statement of activities	\$ 697,041	\$ 2,013,247	\$ 2,091,208	\$ 460,187	\$ 5,261,683	\$ 1,084,415	\$ 444,209	\$ 1,528,624	\$ 6,790,307

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

	December 31, 2018								
	Program Services				Supporting Activities				
	Care Coordination	Housing & Emergency Assistance	Clinic Services	Prevention	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Operating expenses by function									
Salaries and fringe benefits	\$ 924,084	\$ 703,050	\$ 722,862	\$ 280,571	\$ 2,630,567	\$ 278,239	\$ 175,442	\$ 453,681	\$ 3,084,248
Emergency assistance	-0-	1,385,575	653,594	6,894	2,046,063	2,052	-0-	2,052	2,048,115
Contract labor	2,001,681	173	-0-	346	2,002,200	4,101	-0-	4,101	2,006,301
Professional services and fees	185,112	36,008	118,204	23,019	362,343	240,811	21,819	262,630	624,973
Events	-0-	206	-0-	-0-	206	6,722	105,527	112,249	112,455
Program materials and supplies	361	21,414	90,380	1,986	114,141	4,510	606	5,116	119,257
Travel and communication	17,543	13,818	14,331	19,167	64,859	16,948	3,079	20,027	84,886
Advertising and promotion	570	34	-0-	10,085	10,689	12,228	9,648	21,876	32,565
Printing and postage	5,654	1,395	601	2,293	9,943	1,792	7,352	9,144	19,087
Office supplies and expendables	16,673	4,706	7,698	3,147	32,224	7,204	10,985	18,189	50,413
Insurance	14,557	2,663	37,599	3,296	58,115	14,017	508	14,525	72,640
Facility maintenance and utilities	39,970	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	43,875	5,555	49,430	108,440
In-kind	-0-	17,015	-0-	-0-	17,015	-0-	56,682	56,682	73,697
Other	4,981	1,669	32,174	1,573	40,397	10,578	5,888	16,466	56,863
Total operating expenses by function	3,219,399	2,233,760	1,695,649	373,473	7,522,281	682,829	403,211	1,086,040	8,608,321
Less expense included with revenues on the consolidated statement of activities:									
340B Program Costs	-0-	-0-	(653,065)	-0-	(653,065)	-0-	-0-	-0-	(653,065)
Cost of direct benefits to donors	-0-	-0-	-0-	-0-	-0-	-0-	(60,568)	(60,568)	(60,568)
Total expenses included in the expense section on the consolidated statement of activities	\$ 3,219,399	\$ 2,233,760	\$ 1,042,584	\$ 373,473	\$ 6,869,216	\$ 682,829	\$ 342,643	\$ 1,025,472	\$ 7,894,688

THE DAMIEN CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

12. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue, contributions and funding. Management believes the Organization is taking appropriate actions to respond to the pandemic. However, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.

On April 17, 2020 and April 27, 2020, the Organization received low interest loans for the Clinic and the Center in the approximate amounts of \$174,000 and \$509,000, respectively, under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loans are unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met with the remaining balance repayable within two years of disbursement. The PPP loans may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period (the 8-week period beginning on loan origination). In addition, employers must maintain specified employment and wage levels during the pandemic, and submit adequate documentation of such expenditures to qualify for loan forgiveness.

SUPPLEMENTARY INFORMATION

THE DAMIEN CENTER, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

ASSETS	The Center	The Clinic	1416 East	Eliminations	Total
Current assets					
Cash	\$ 404,885	\$ 5,224	\$ 32	\$ -0-	\$ 410,141
Grants receivable	437,880	-0-	-0-	-0-	437,880
340B Program receivables	-0-	362,182	-0-	-0-	362,182
Accounts receivable	182,066	183,988	-0-	-0-	366,054
Due from related party	202,099	-0-	1,000	(203,099)	-0-
Prepaid expenses and inventory	39,971	68,452	-0-	-0-	108,423
Total current assets	1,266,901	619,846	1,032	(203,099)	1,684,680
Property and equipment					
Land	13,000	-0-	166,878	-0-	179,878
Building and improvements	2,603,274	-0-	-0-	-0-	2,603,274
Furnishings and equipment	422,700	63,358	-0-	-0-	486,058
Technology	303,326	-0-	-0-	-0-	303,326
Automobiles	27,852	-0-	-0-	-0-	27,852
	3,370,152	63,358	166,878	-0-	3,600,388
Less: accumulated depreciation	1,402,170	15,768	-0-	-0-	1,417,938
Total property and equipment, net	1,967,982	47,590	166,878	-0-	2,182,450
Investment in subsidiary	167,910	-0-	-0-	(167,910)	-0-
Total assets	\$ 3,402,793	\$ 667,436	\$ 167,910	\$ (371,009)	\$ 3,867,130
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 106,752	\$ 312,017	\$ -0-	\$ -0-	\$ 418,769
Accrued salaries and related expenses	99,279	42,410	-0-	-0-	141,689
Other current liabilities	9,927	-0-	-0-	-0-	9,927
Due to related party	1,000	202,099	-0-	(203,099)	-0-
Line of credit	49,875	-0-	-0-	-0-	49,875
Current portion of capital leases	14,193	-0-	-0-	-0-	14,193
Total current liabilities	281,026	556,526	-0-	(203,099)	634,453
Long-term debt					
Capital leases, net of current portion	40,167	-0-	-0-	-0-	40,167
Total liabilities	321,193	556,526	-0-	(203,099)	674,620
Net assets					
Without donor restrictions					
Undesignated	2,628,092	(27,726)	167,910	(167,910)	2,600,366
Board designated	100,000	-0-	-0-	-0-	100,000
Total net assets without donor restrictions	2,728,092	(27,726)	167,910	(167,910)	2,700,366
With donor restrictions					
	353,508	138,636	-0-	-0-	492,144
Total net assets	3,081,600	110,910	167,910	(167,910)	3,192,510
Total liabilities and net assets	\$ 3,402,793	\$ 667,436	\$ 167,910	\$ (371,009)	\$ 3,867,130

See Report of Independent Auditors on pages 1 - 3.

THE DAMIEN CENTER, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	The Center	The Clinic	1416 East	Eliminations	Total
Operating revenue and public support					
Special events	\$ 368,623	\$ -0-	\$ -0-	\$ -0-	\$ 368,623
Less cost of direct benefits to donors	(63,251)	-0-	-0-	-0-	(63,251)
Special events, net	305,372	-0-	-0-	-0-	305,372
Net client service revenue	-0-	305,934	-0-	-0-	305,934
Grant service contracts	1,297,027	1,650,775	-0-	-0-	2,947,802
340B Program, net	-0-	356,385	-0-	-0-	356,385
Contract fees	1,710,882	192,402	-0-	-0-	1,903,284
Bequests and contributions	203,306	-0-	-0-	-0-	203,306
United Way of Central Indiana, Inc.:					
Allocation and donor designated	58,808	-0-	-0-	-0-	58,808
General operations	116,791	-0-	-0-	-0-	116,791
Private grants	103,801	-0-	-0-	-0-	103,801
In-kind	54,365	-0-	-0-	-0-	54,365
Other	55,938	2,102	-0-	(24,983)	33,057
Monthly services agreement	675,961	-0-	-0-	(675,961)	-0-
Net assets released from restriction	238,783	19,716	-0-	-0-	258,499
Total operating revenue and public support	4,821,034	2,527,314	-0-	(700,944)	6,647,404
Operating expenses					
Salaries and fringe benefits	2,568,273	993,162	-0-	-0-	3,561,435
Emergency assistance	1,296,482	98,611	-0-	-0-	1,395,093
Contract labor	9,048	15,000	-0-	-0-	24,048
Professional services and fees	435,791	152,835	-0-	-0-	588,626
Events	48,753	-0-	-0-	-0-	48,753
Program materials and supplies	41,905	168,073	-0-	-0-	209,978
Travel and communication	91,116	21,221	-0-	-0-	112,337
Advertising and promotion	127,045	92,210	-0-	-0-	219,255
Printing and postage	12,785	2,388	-0-	-0-	15,173
Office supplies and expendables	60,306	10,818	-0-	-0-	71,124
Insurance	34,446	47,025	-0-	-0-	81,471
Facility maintenance and utilities	118,785	13,157	-0-	-0-	131,942
Depreciation	114,632	9,174	-0-	-0-	123,806
In-kind	73,816	-0-	-0-	-0-	73,816
Other	63,058	771,336	61	(701,005)	133,450
Total operating expenses	5,096,241	2,395,010	61	(701,005)	6,790,307
Revenues and public support over (under) expenses	(275,207)	132,304	(61)	61	(142,903)
Nonoperating revenue (expense)					
Net assets released for capital improvements	244,358	141,648	-0-	-0-	386,006
Change in net assets without donor restrictions	(30,849)	273,952	(61)	61	243,103
Net assets with donor restrictions					
Contributions and other support	529,553	300,000	-0-	-0-	829,553
In-kind contributions	19,451	-0-	-0-	-0-	19,451
Net assets released from restriction	(483,141)	(161,364)	-0-	-0-	(644,505)
Change in net assets with donor restrictions	65,863	138,636	-0-	-0-	204,499
Change in net assets	35,014	412,588	(61)	61	447,602
Net assets					
Beginning of year	3,046,586	(301,678)	167,971	(167,971)	2,744,908
End of year	\$ 3,081,600	\$ 110,910	\$ 167,910	\$ (167,910)	\$ 3,192,510

See Report of Independent Auditors on pages 1 - 3.

THE DAMIEN CENTER, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

ASSETS	The Center	The Clinic	1416 East	Eliminations	Total
Current assets					
Cash	\$ 360,157	\$ 2,588	\$ 93	\$ -0-	\$ 362,838
Grants receivable	339,304	-0-	-0-	-0-	339,304
340b Program receivables	-0-	143,317	-0-	-0-	143,317
Accounts receivable, net	336,711	424,682	-0-	-0-	761,393
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	1,725,348	610,188	1,093	(663,179)	1,673,450
Property and equipment					
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
	2,988,138	9,650	166,878	-0-	3,164,666
Less: accumulated depreciation	1,325,031	6,594	-0-	-0-	1,331,625
Total property and equipment, net	1,663,107	3,056	166,878	-0-	1,833,041
Investment in subsidiary	167,971	-0-	-0-	(167,971)	-0-
Total assets	\$ 3,556,426	\$ 613,244	\$ 167,971	\$ (831,150)	\$ 3,506,491
LIABILITIES AND NET ASSETS					
Current liabilities					
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	509,840	912,932	-0-	(663,179)	759,593
Long-term debt					
Capital leases, net of current portion	-0-	1,990	-0-	-0-	1,990
Total liabilities	509,840	914,922	-0-	(663,179)	761,583
Net assets					
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	2,758,941	(301,678)	167,971	(167,971)	2,457,263
With donor restrictions					
	287,645	-0-	-0-	-0-	287,645
Total net assets	3,046,586	(301,678)	167,971	(167,971)	2,744,908
Total liabilities and net assets	\$ 3,556,426	\$ 613,244	\$ 167,971	\$ (831,150)	\$ 3,506,491

See Report of Independent Auditors on pages 1 - 3.

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
Operating revenue and public support					
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	1,525,864	829,130	-0-	-0-	2,354,994
340B Program, net	-0-	293,504	-0-	-0-	293,504
Contract fees	4,060,440	110,899	-0-	-0-	4,171,339
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 donor restrictions	164,849	-0-	-0-	-0-	164,849
Total operating revenue and public support	6,742,743	1,453,232	-0-	(337,810)	7,858,165
Operating expenses					
Salaries and fringe benefits	2,395,359	688,889	-0-	-0-	3,084,248
Emergency assistance	1,394,521	4,167	-0-	-0-	1,398,688
Contract labor	2,004,901	1,400	-0-	-0-	2,006,301
Professional services and fees	508,168	115,604	-0-	-0-	623,772
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	11,399	-0-	-0-	82,475
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	352,105	29	(337,839)	56,837
Total operating expenses	6,904,083	1,328,415	29	(337,839)	7,894,688
Revenues and public support over (under) expenses/					
Change in net assets without donor restrictions	(161,340)	124,817	(29)	29	(36,523)
Net assets with donor restrictions					
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 donor restrictions	(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
Net assets					
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 - 3.

THE DAMIEN CENTER, INC.

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
Major programs			
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	15819	\$ 596,688
DHHS - Pass through the Marion County Health Department (MCHD) - HIV Emergency Relief Project Grants - Ryan White Part A Emergency Relief	93.914	H89HA11463	729,742
DHUD - Pass through - CIDMD - Shelter Plus Care (Continuum of Care)	14.267	IN0152L55H031702, 13FG-N035000019	390,250
Total major programs			<u>1,716,680</u>
Non-major programs			
DHUD - Pass through - CIDMD - Emergency Solutions Grant Program	14.231	N/A	24,804
Department of Health and Human Services (DHHS) - Pass through - Indiana State Department of Health (ISDH) - HIV Care Coordination	93.917	20184	695,590
Ryan White Part B Supplemental Grant	93.917	24965, 24544, 30430	1,644,182
DHHS - Pass through - ISDH and Indiana Aids Funds, Inc. (IAF) - Undoing Racism Diversity and Inclusion Workshop	93.917	19-1333	18,117
Capacity Building	93.917	19-1296, 19-1340, 19-1345, 19-1924	318,103
HIV Care Formula Grant	93.917	19-1334	20,000
HIV Care Formula Grant	93.917	19-1320	75,000
DHHS - Pass through - ISDH and The Health Foundation of Greater Indianapolis - Capacity Building	93.917	19-1295	136,856
	Total for 93.917		<u>2,907,848</u>
DHHS - Pass through - MCHD - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00112	159,000
DHHS - Pass through - ISDH - HIV Prevention Activities - Health Department Based	93.940	24568	121,232
DHHS - Pass through - Health and Hospital Corporation of Marion County Sexually Transmitted Diseases (STD) Prevention Program	93.977	5H255S00437	7,500
Total non-major programs			<u>3,220,384</u>
Total federal expenditures			<u>\$ 4,937,064</u>

See Report of Independent Auditors on pages 1 - 3.

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, 2019

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, 2019. 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 2019.



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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, 2019, 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 28, 2020.

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 28, 2020



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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, 2019. 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, 2019.

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 28, 2020

THE DAMIEN CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

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
14.267	Shelter Plus Care

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

Section IV:

Summary schedule of prior audit findings

No matters reported
