# THE JULIAN CENTER, INC.
# AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2018 AND 2017

GREENWALT CPAs

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# THE JULIAN CENTER, INC. AND SUBSIDIARY
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DECEMBER 31, 2018 AND 2017

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Julian Center, Inc. and Subsidiary:

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Julian Center, Inc. and Subsidiary (the Center), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Center as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Center's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019 on our consideration of the Center'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 the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Greenwalt CPAs, Inc.

June 20, 2019

## ASSETS

| | 2018 | 2017 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 2,012,802 | $ 586,093 |
| Grants receivable | 286,810 | 237,385 |
| Pledges receivable, net | 87,042 | 597,157 |
| Prepaid expenses | 56,665 | 47,260 |
| Donated inventory | 108,012 | 98,832 |
| Investments | 36,125 | 28,048 |
| *Total current assets* | 2,587,456 | 1,594,775 |
| **LOANS AND ACCRUED INTEREST RECEIVABLE FROM RELATED PARTY (NOTE 3)** | 1,599,778 | 1,599,778 |
| **BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (NOTE 5 AND NOTE 9)** | 712,664 | 779,502 |
| **PROPERTY AND EQUIPMENT, NET (NOTE 6)** | 5,557,757 | 5,718,144 |
| *Total assets* | $ 10,457,655 | $ 9,692,199 |

## LIABILITIES AND NET ASSETS

| | 2018 | 2017 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 122,237 | $ 107,315 |
| Accrued payroll and related benefits | 153,531 | 129,207 |
| Current portion of capital lease liability (Note 11) | 6,162 | 8,571 |
| Current portion of note payable (Note 7) | 30,483 | 28,906 |
| Other accrued liabilities | 4,787 | 6,729 |
| Deferred revenue | 10,000 | - |
| *Total current liabilities* | 327,200 | 280,728 |
| **LONG-TERM LIABILITIES** | | |
| Capital lease liability, net of current portion (Note 11) | 15,486 | 1,059 |
| Note payable, net of current portion (Note 7) | 53,911 | 84,394 |
| *Total long-term liabilities* | 69,397 | 85,453 |
| *Total liabilities* | 396,597 | 366,181 |
| **COMMITMENTS AND CONTINGENCY (NOTES 4, 10, AND 14)** | | |
| **NET ASSETS** | | |
| Without donor restrictions | | |
| Board designated | 132,835 | 183,039 |
| Undesignated | 8,083,337 | 7,830,003 |
| With donor restrictions | | |
| Time and purpose | 1,782,422 | 1,250,512 |
| Perpetual | 62,464 | 62,464 |
| *Total net assets* | 10,061,058 | 9,326,018 |
| *Total liabilities and net assets* | $ 10,457,655 | $ 9,692,199 |

**THE JULIAN CENTER, INC. AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

| | Without Donor | With Donor Restrictions | | 2018 | 2017 |
|---|---|---|---|---|---|
| | Restrictions | Time and Purpose | Perpetual | Total | Total |
| **REVENUE, GAINS, AND OTHER SUPPORT** | | | | | |
| Public contributions | $ 855,534 | $ 1,144,948 | $ - | $ 2,000,482 | $1,355,453 |
| Government grants | 2,065,089 | - | - | 2,065,089 | 1,703,091 |
| Thrift store and consignment sales, net | 535,874 | - | - | 535,874 | 521,302 |
| United Way | 327,383 | - | - | 327,383 | 406,178 |
| In-kind contributions | 240,606 | - | - | 240,606 | 222,085 |
| Fundraising events, net of expenses of $55,284 and $7,326 for 2018 and 2017, respectively | 87,209 | - | - | 87,209 | 81,316 |
| Rental income | 42,600 | - | - | 42,600 | 42,600 |
| Investment returns | 2,736 | - | - | 2,736 | 1,619 |
| Change in value of beneficial interest in assets held by others | (27,862) | - | - | (27,862) | 89,429 |
| Other income | 18,655 | - | - | 18,655 | 22,711 |
| Releases from restriction | 613,038 | (613,038) | - | - | - |
| *Total revenue, gains, and other support* | 4,760,862 | 531,910 | - | 5,292,772 | 4,445,784 |
| **EXPENSES** | | | | | |
| Program services: | | | | | |
| Safety | 2,027,910 | - | - | 2,027,910 | 1,801,555 |
| Stability | 839,190 | - | - | 839,190 | 781,896 |
| Self-sufficiency | 262,250 | - | - | 262,250 | 287,508 |
| Thrifty Threads | 478,091 | - | - | 478,091 | 450,940 |
| *Total program services* | 3,607,441 | - | - | 3,607,441 | 3,321,899 |
| Supporting services: | | | | | |
| Management and general | 715,981 | - | - | 715,981 | 594,571 |
| Fundraising | 234,310 | - | - | 234,310 | 302,033 |
| *Total supporting services* | 950,291 | - | - | 950,291 | 896,604 |
| *Total expenses* | 4,557,732 | - | - | 4,557,732 | 4,218,503 |
| **CHANGE IN NET ASSETS** | 203,130 | 531,910 | - | 735,040 | 227,281 |
| **NET ASSETS, BEGINNING OF YEAR** | 8,013,042 | 1,250,512 | 62,464 | 9,326,018 | 9,111,336 |
| **NET ASSETS, END OF YEAR** | $ 8,216,172 | $ 1,782,422 | $ 62,464 | $10,061,058 | $9,338,617 |

THE JULIAN CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017



| | Safety | Stability | Self-sufficiency | Thrifty Threads | Total Program Services | Management and General | Fundraising | Total Supporting Services | 2018 Grand Total | 2017 Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Staff salaries and wages | $ 986,888 | $ 324,432 | $ 59,072 | $ 218,565 | $ 1,588,957 | $ 337,313 | $ 154,923 | $ 492,236 | $ 2,081,193 | $ 1,898,964 |
| Employee benefits | 140,008 | 48,879 | 2,802 | 44,607 | 236,296 | 27,431 | 4,734 | 32,165 | 268,461 | 225,481 |
| Payroll taxes | 83,605 | 26,342 | 4,990 | 18,312 | 133,249 | 25,967 | 12,657 | 38,624 | 171,873 | 163,162 |
| Professional and contractual fees | 239,545 | 43,064 | 172,002 | 6,368 | 460,979 | 214,156 | 23,275 | 237,431 | 698,410 | 558,851 |
| Occupancy | 132,570 | 78,704 | 5,853 | 160,843 | 377,970 | 27,429 | 4,857 | 32,286 | 410,256 | 416,301 |
| Supplies and food service | 189,235 | 9,193 | 2,807 | 1,155 | 202,390 | 5,500 | 178 | 5,678 | 208,068 | 192,518 |
| Individual assistance | 46,093 | 192,552 | 1,558 | - | 240,203 | - | - | - | 240,203 | 272,806 |
| Staff development | 15,118 | 8,077 | 1,833 | - | 25,028 | 1,419 | - | 1,419 | 26,447 | 9,722 |
| Telephone | 14,023 | 7,062 | 889 | 3,052 | 25,026 | 2,054 | 1,012 | 3,066 | 28,092 | 25,066 |
| Postage and shipping | - | - | 44 | - | 44 | 2,389 | 44 | 2,433 | 2,477 | 2,763 |
| Equipment rental and maintenance | 11,462 | 2,291 | 1,451 | 2,130 | 17,334 | 1,818 | 1,100 | 2,918 | 20,252 | 21,306 |
| Printing and copying | 1,897 | 635 | 48 | 225 | 2,805 | 1,358 | 594 | 1,952 | 4,757 | 4,891 |
| Vehicle | 4,905 | 2,987 | 207 | 6,581 | 14,680 | 964 | 172 | 1,136 | 15,816 | 12,261 |
| Conferences and meetings | 1,306 | 172 | 1,151 | 16 | 2,645 | 514 | 188 | 702 | 3,347 | 1,668 |
| Insurance | 39,074 | 20,291 | 1,949 | 3,256 | 64,570 | 13,978 | 4,457 | 18,435 | 83,005 | 80,660 |
| Fundraising | - | - | - | - | - | - | 15,614 | 15,614 | 15,614 | 15,836 |
| Community impact | - | - | - | - | - | 13,395 | - | 13,395 | 13,395 | 10,744 |
| Miscellaneous | 515 | 375 | - | 261 | 1,151 | 8,146 | 475 | 8,621 | 9,772 | 34,284 |
| Interest expense and fees | 685 | 419 | 32 | 12,720 | 13,856 | 6,232 | 5,414 | 11,646 | 25,502 | 28,254 |
| Total before depreciation | 1,906,929 | 765,475 | 256,688 | 478,091 | 3,407,183 | 690,063 | 229,694 | 919,757 | 4,326,940 | 3,975,538 |
| Depreciation | 120,981 | 73,715 | 5,562 | - | 200,258 | 25,918 | 4,616 | 30,534 | 230,792 | 255,564 |
| Total including depreciation | 2,027,910 | 839,190 | 262,250 | 478,091 | 3,607,441 | 715,981 | 234,310 | 950,291 | 4,557,732 | 4,231,102 |
| Special event expense netted with revenue on the statement of activities | - | - | - | - | - | - | 55,284 | 55,284 | 55,284 | 7,326 |
| | $ 2,027,910 | $ 839,190 | $ 262,250 | $ 478,091 | $ 3,607,441 | $ 715,981 | $ 289,594 | $ 1,005,575 | $ 4,613,016 | $ 4,238,428 |

## CHANGE IN CASH

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from contributors, grantors, and program services | $ 5,547,468 | $ 3,685,242 |
| Cash paid to suppliers and employees | (4,049,676) | (3,694,471) |
| Interest paid | (25,502) | (28,254) |
| Investment income | 2,736 | 1,619 |
| *Net cash provided by (used in) operating activities* | 1,475,026 | (35,864) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Withdrawals from beneficial interest in assets held by others | 38,976 | 36,320 |
| Purchases of property and equipment | (70,405) | (93,154) |
| *Net cash used in investing activities* | (31,429) | (56,834) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Additions to (payments on) capital leases | 12,018 | (14,585) |
| Payments on line of credit and note payable | (28,906) | (27,411) |
| *Net cash used in financing activities* | (16,888) | (41,996) |
| **NET INCREASE IN CASH** | 1,426,709 | (134,694) |
| **CASH, BEGINNING OF YEAR** | 586,093 | 720,787 |
| **CASH, END OF YEAR** | $ 2,012,802 | $ 586,093 |
| **NON-CASH INVESTING ACTIVITY** | | |
| Donated investments | $ 7,563 | $ 16,795 |

See accompanying notes to consolidated financial statements.

## RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

| | 2018 | 2017 |
|---|---|---|
| **CHANGE IN NET ASSETS** | $ 735,040 | $ 214,682 |
| **ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| Depreciation | 230,792 | 255,564 |
| Change in value of beneficial interest in assets held by others | 27,862 | (89,429) |
| Unrealized gain on investments | (514) | (634) |
| Donated investments | (7,563) | (16,795) |
| Change in donated inventory | (9,180) | 8,966 |
| *Decrease (increase) in operating assets:* | | |
| Grants receivable | (49,425) | (9,051) |
| Pledges receivable, net | 510,115 | (432,724) |
| Prepaid expenses | (9,405) | 11,606 |
| *Increase (decrease) in operating liabilities:* | | |
| Accounts payable | 14,922 | 35,044 |
| Accrued payroll and related benefits | 24,324 | (7,738) |
| Other accrued liabilities | (1,942) | (355) |
| Deferred revenue | 10,000 | (5,000) |
| *Total adjustments* | 739,986 | (250,546) |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | $ 1,475,026 | $ (35,864) |

## 1. Summary of Significant Accounting Policies

### General

The Julian Center, Inc. (the Center) was formed in 1975 in Indianapolis, Indiana to carry out the religious, educational, and charitable purposes of the Episcopal Diocese of Indianapolis (the Diocese) by fostering the spiritual, emotional and physical well-being of women. The Center is a coordinating ministry of the Diocese. The Center provides emergency shelter, counseling, and outreach advocacy for victims of domestic violence, sexual assault, and rape. The Center also operates Thrifty Threads, a secondhand store selling donated clothing and other household items. The Center's main sources of revenue are contributions, government grants, and Thrifty Threads sales.

The Center has a wholly owned subsidiary corporation, Julian Thirty-Four North, Inc., which has been consolidated with the Center for this financial statement presentation. Julian Thirty-Four North, Inc. was formed during 2008 as part of the Center's plan to create affordable permanent housing opportunities in close proximity to its existing services. Julian Thirty-Four North, Inc. is a 0.01% general partner of Thirty-Four North, L.P. (Thirty-Four North), which was created to construct and own a multi-tenant apartment community. The community is commonly referred to as Thirty-Four North. Thirty-Four North is valued and reported by Julian Thirty-Four North. Inc. using the cost method.

### Basis of Accounting and Use of Estimates

The accompanying consolidated financial statements were prepared on the accrual basis of accounting. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by met asset on functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

### Principles of Consolidation

All intercompany transactions have been eliminated for reporting purposes.

### Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2018 and 2017. At December 31, 2018 and 2017, the Center maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) by approximately $1,800,000 and $330,000, respectively.

## 1. Summary of Significant Accounting Policies, Continued

### Grants and Pledges Receivable

Grants and pledges receivable are recorded at fair value at the time the grant is committed or at the time the pledge is promised to the Center. Management evaluates the adequacy of the allowance using a process involving consideration of historical experiences, current receivables aging information, and management's communication with the grantors and donors. Pledges receivable with payment dates beyond one year are discounted using a discount rate that is commensurate with risk. All grants and pledges are due within 1 year. At December 31, 2018 and 2017, there was an allowance for doubtful accounts of $3,500.

### Investments

Under GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized. The Center's investments are held in equities. Investments of $36,125 and $28,048 were held by the Center at December 31, 2018 and 2017, respectively.

### Loans Receivable from Related Party

Loans receivable consists of two loan agreements with Thirty-Four North, that has been awarded a qualifying tax credit project. This partnership consists of Julian Thirty-Four North Inc., which is a 0.01% owner and general partner, and Key Bank Community Development Corporation which is a 99.99% owner and the limited partner. The tax credit project supports the development of low-income housing.

### Donated Inventory

Inventory consists of donated items for sale at the Thrifty Threads retail store. This inventory is valued based on the average sales price per piece expected to be sold and average salvage price per piece expected to be salvaged.

### Property and Equipment

Expenditures for property and equipment and items in excess of $1,000 and useful lives greater than three years are capitalized at cost if purchased, or at fair value if donated. The Center provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over the following estimated useful lives:

| | |
|---|---|
| Buildings | 39 Years |
| Equipment | 5 to 8 Years |
| Furniture and fixtures | 5 Years |
| Leasehold improvements | 3 to 10 Years |
| Vehicles | 5 Years |

Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful life.

Repairs and maintenance are expensed in the period incurred.

### Net Assets

The Organization maintains the following classifications of net assets:

## 1. Summary of Significant Accounting Policies, Continued

### Net Assets, Continued

#### Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary operations of the Center. These include general assets and liabilities of the Center, which may be used at the discretion of management and Board of Directors to support the Center's purposes and operations.

Board-designated net assets consist of funds without donor restrictions received from donors that can be used in the future in operations in accordance with a board approved plan of action. The Board has designated $132,835 and $183,039 at December 31, 2018 and 2017, respectively, for capital expenditures.

#### Net Assets with Donor Restrictions

Net assets that are subject to stipulations imposed by donors, and grantors. These include assets of the Center related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose or to later periods of time or after specified dates.

When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities as net assets released from restrictions. See Note 8.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Net assets with perpetual restrictions were $62,464 as of December 31, 2018 and 2017.

### Contributions and Pledges

Contributions are recognized when the donor makes an unconditional promise to give to the Center and are recorded at their fair values as revenues and assets in that same period. Contributions with donor restrictions are reported as increases in revenue with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in revenue without donor restrictions if the restrictions expire in the year in which the contributions are recognized.

### Donated Property and Services

The Center reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Center reports gifts of meals and other related kitchen items as support without donor restrictions, these are valued at cost specified by the donor.

Contributions of services are recognized if the services received (a) enhance financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. In addition, a substantial number of volunteers have donated significant time and effort towards establishing the Center's fundraising campaigns and providing assistance with operations and administration.

## 1. Summary of Significant Accounting Policies, Continued

### Donated Property and Services, Continued

The dollar value of the volunteer donated services is not reflected in the financial statements as management feels there is no objective basis available to measure the value of such services. Donated goods and services are treated as noncash transactions for purposes of the statement of cash flows.

For the years ended December 31, the in-kind contributions are as follows:

| | 2018 | 2017 |
|---|---|---|
| Donated Goods: | | |
| Meals and kitchen items | $ 171,426 | $ 171,051 |
| Donated Services: | | |
| Facilities maintenance services | 69,180 | 51,034 |
| | $ 240,606 | $ 222,085 |

### Thrift Store and Consignment Sales

Thrifty Threads revenue results from the sale of donated second-hand goods. Revenue is reported net of amounts due to third parties for consignment sales.

### Government Grants

Support funded by grants is recognized as the Center performs the contracted services under grant agreements. Grant revenue is recognized as earned when the eligible expenses are incurred. While the Center has not had any grant adjustments, grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### Functional Allocation of Expenses

Certain costs have been allocated among the program services, management and general, and fundraising categories based on the actual direct expenditures and cost allocations. The majority of allocations are based upon estimates of time and efforts by Center personnel. However, facilities related costs including occupancy, insurance, and depreciation are based on square footage.

### Income Taxes

The Center is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code. Additionally, the Center has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

### Subsequent Events

Subsequent events have been evaluated by management through June 20, 2019, which is the date the financial statements were available to be issued.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### NEW ACCOUNTING PRONOUNCEMENT

During 2018, the Center adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted and permanently restricted to two, net assets with and without donor restrictions. In addition, the update requires a new disclosure regarding liquidity and the availability of resources. With the exception of the liquidity disclosure, the Center has adjusted the presentation of these statements retrospectively. The update had no impact on net assets as of December 31, 2017.

## 2. LIQUIDITY AND AVAILABLE RESOURCES

The Center regularly monitors liquidity required to meet its operating and other commitments. The Center has various sources of liquid assets at its disposal, including cash and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to ongoing activities of providing shelter and advocacy to those individuals it serves as well as the supporting operations to be general expenditures.

In addition to financial assets available to meet general expenditures, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2018, the following table shows the total financial assets held by the Center and the amounts of those financial assets available within one year of the statement of financial position date to meet general expenditures:

| | 2018 |
|---|---|
| Financial assets at year-end: | |
| Cash | $ 2,012,802 |
| Grants and pledges receivable | 373,852 |
| Donated inventory | 108,012 |
| Investments | 36,125 |
| Beneficial interest in assets held by others | 712,664 |
| Total financial assets | 3,243,455 |
| Less amounts not available to be used within one year: | |
| Beneficial interest in assets held by others | (677,031) |
| Board designated net assets | (132,835) |
| Net assets with donor restrictions | (1,844,886) |
| Financial assets not available to be used with one year | (2,654,752) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 588,703 |

## 3. Loans Receivable

The Center entered into a $1,000,000 loan agreement with Thirty-Four North dated May 21, 2009. The loan, which earns interest at the annual rate of 4% and matures on June 1, 2026, was made in relation to the construction of the Thirty-Four North apartment community. The Center also entered into a $321,750 loan agreement with Thirty-Four North dated June 19, 2009, which earns interest at an annual rate of 1% and matures on December 31, 2039. While the agreement was executed in 2009, the funds were not loaned to Thirty-Four North until October 2010.

Thirty-Four North also has a construction loan with a financial institution, which was obtained as part of the tax credit financing of the apartment community. As long as the construction loan is outstanding with the financial institution, the Center will only receive payments of interest. Such interest payments may be made only from any cash flow of the apartment community. Upon full payment of the construction loan and accrued interest to the financial institution, the remaining loan principal balance together with all accrued interest shall be paid to the Center solely from the apartment community's cash flow. Payments will be made in equal monthly installments, in an amount sufficient to fully amortize the principal balance over a 30-year period. Any remaining unpaid principal balance still outstanding at the June 1, 2026 and December 31, 2039 maturity dates, together with all accrued interest, shall be due and payable in full.

The Center has recorded accrued interest receivable totaling $278,028 in relation to these loans as of December 31, 2018 and 2017. No interest payments were received in 2018 or 2017.

An allowance for loan impairment is considered by management based on an estimate of the loan's collectability. Management's policy is that all loans, including impaired loans, shall accrue interest. Each year management will estimate whether that interest is collectible. Management did not accrue interest on the loans in 2018 and 2017 as management has estimated that the present value of the future cash flows will not exceed the current carrying amount of the loans.

## 4. Guarantee

The Center is a guarantor for a mortgage loan obtained by Thirty-Four North. The amount outstanding on this loan at December 31, 2018 and 2017, including interest, was $820,960 and $839,723, respectively. The loan converted in July 2011 at a balance of $900,000 and the following loan terms:

a. A term of 15 years;

b. Monthly payment of principal and interest of $6,292 based on a 360-month amortization period;

c. Interest rate of 7.39%; and

d. Establishing and maintaining a reserve for replacements and operating reserve.

The obligations of Thirty-Four North under the loan agreement are secured by a mortgage and security interest on the property and all property and equipment and an assignment of any rents or income to be derived from the property.

Estimated principal payments on the mortgage loan for years ending December 31, are as follows:

| | |
|---|---|
| 2019 | $ 14,591 |
| 2020 | 15,547 |
| 2021 | 16,928 |
| 2022 | 18,241 |
| 2023 | 19,656 |
| Thereafter | 735,997 |
| | $ 820,960 |

## 5. Fair Value of Financial Instruments

Accounting Standards for Fair Value Measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Assets measured at fair value on a recurring basis are summarized below:

| December 31, 2018 | Level 1 | Level 2 |
|---|---|---|
| Equity investments | $ 36,125 | $ - |
| Beneficial interest in assets held by others | - | 712,664 |
| | $ 36,125 | $ 712,664 |

| December 31, 2017 | Level 1 | Level 2 |
|---|---|---|
| Equity investments | $ 28,048 | $ - |
| Beneficial interest in assets held by others | - | 779,502 |
| | $ 28,048 | $ 779,502 |

The fair value of the equity investments are valued using active markets. Fair value of the CICF Endowment Fund is determined based on the fund value reported by CICF. CICF allocates investment income to the fund based on the unitized value of the assets held by each individual fund within the overall portfolio. There was no change in the method used to determine fair value during 2018. See note 9.

## 6. Property And Equipment

At December 31, property and equipment included:

| | 2018 | 2017 |
|---|---|---|
| Land | $ 844,993 | $ 844,993 |
| Buildings | 7,470,011 | 7,469,711 |
| Equipment | 507,045 | 439,632 |
| Furniture and fixtures | 756,902 | 819,301 |
| Leasehold improvements | 151,468 | 151,768 |
| Vehicles | 53,542 | 53,542 |
| | 9,783,961 | 9,778,947 |
| Less accumulated depreciation | (4,226,204) | (4,060,803) |
| | $ 5,557,757 | $ 5,718,144 |

## 7. Note Payable

The Center has a note payable with a financial institution. Borrowings bear a fixed interest of 5.25% payable in monthly payments of $2,853 including interest, maturing August 2021. The Center's assets secure the note payable.

The future maturities of the note payable are as follows for the years ending December 31:

| | |
|---|---|
| 2019 | $ 30,483 |
| 2020 | 32,138 |
| 2021 | 21,773 |
| | 84,394 |
| Less: Current portion | (30,483) |
| Long-term portion of note payable | $ 53,911 |

## 8. Net Assets With Donor Restrictions – Time and Purpose

Net assets with donor restrictions are either donor-restricted for specific purposes or for use in a specified period of time. At December 31, the restricted purposes are as follows:

| | 2018 | 2017 |
|---|---|---|
| Shelter endowment | $ 593,547 | $ 593,547 |
| Medical services for shelter residents | 20,675 | 16,348 |
| General operating expenses | 86,157 | 525,000 |
| Lilly Endowment operating reserve | 500,000 | |
| Capacity building | 534,233 | 10,000 |
| Victim assistance | 37,381 | 98,578 |
| Other | 10,429 | 7,039 |
| | $ 1,782,422 | $ 1,250,512 |

Temporarily restricted net assets have been released from restriction due to the purpose or time restriction being met for 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Medical Services for shelter residents | $ 8,972 | $ 20,000 |
| General operating expenses | 513,843 | 77,696 |
| Capacity building | - | 1,253 |
| Victim assistance | 88,970 | 6,630 |
| Other | 1,253 | 9,110 |
| | $ 613,038 | $ 114,689 |

## 9. Endowment

The Center's endowment consists of a fund held at the Central Indiana Community Foundation. Its endowment includes endowment funds with donor restrictions and funds designated by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Center classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the perpetual endowment fund, (b) the original value of subsequent gifts to the perpetual endowment fund, and (c) accumulations to the perpetual endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

## 9. Endowment, Continued

The remaining portion of the perpetual endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the endowment fund
(2) The purposes of the Center and the endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Center
(7) The investment policies of the Center.

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

| | Board Designated | With Donor Restrictions – Time and Purpose | With Donor Restrictions – Perpetual | Total |
|---|---|---|---|---|
| Endowment net assets, January 1, 2018 | $ 123,491 | $ 593,547 | $ 62,464 | $ 779,502 |
| Net depreciation (realized and unrealized losses) | (27,862) | - | - | (27,862) |
| Appropriation of endowment funds for expenditure | (38,976) | - | - | (38,976) |
| Endowment net assets, December 31, 2018 | $ 56,653 | $ 593,547 | $ 62,464 | $ 712,664 |

## 9. ENDOWMENT, CONTINUED

| | Board Designated | With Donor Restrictions – Time and Purpose | With Donor Restrictions – Perpetual | Total |
|---|---|---|---|---|
| Endowment net assets, January 1, 2017 | $ 70,381 | $ 593,547 | $ 62,464 | $ 726,392 |
| Net appreciation (realized and unrealized gains) | 89,430 | - | - | 89,430 |
| Appropriation of perpetual endowment funds for expenditure | (36,320) | - | - | (36,320) |
| Endowment net assets, December 31, 2017 | $ 123,491 | $ 593,547 | $ 62,464 | $ 779,502 |

### FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or SPMIFA requires the Center to retain as a fund of duration. Deficiencies of this nature that are in excess of related endowment fund balance reduce the endowment funds accordingly. As of December 31, 2018 and 2017, there were no funds with deficiencies.

### RETURN OBJECTIVES AND RISK PARAMETERS

The Center has adopted investment and spending policies for endowment fund assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment fund assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment fund assets are invested in a manner that is intended to produce future growth of the fund, while assuming a moderate level of investment risk.

### STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

The purpose of the endowment fund is to facilitate donors' desires to provide long-term support of the shelter. The Center's investment strategy for this fund consists of investing the amounts in CICF's pooled endowment fund.

### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

Funds are invested in CICF's pooled endowment fund and the Center's spending from the fund is subject to the terms of the agreement with CICF. The agreement states that the portion of annual earnings, including net income and net appreciation, both realized and unrealized, allocated to the fund is available for spending. The spendable amount is typically calculated as 5% of the prior year's ending fund balance as of December 31, plus any carry-forward amounts from prior years. This policy permits spending from underwater endowment funds. The Board of Directors reviews the amount that is available for spending, and determines how much of a distribution will be taken, if any.

## 10. Leases

The Center leases retail space for Thrifty Threads, with base rent payments of $7,292 due monthly through 2021. The Center also leases other equipment under operating lease agreements expiring at various dates through December 2018. Common area maintenance fees are also paid as part of the Thrifty Threads retail space. Total rental and common area maintenance expense was $134,033 and $138,018 for 2018 and 2017, respectively. The total minimum rental commitment under the leases mentioned above is as follows:

| | | |
|---|---|---|
| 2019 | $ | 87,504 |
| 2020 | | 87,504 |
| 2021 | | 21,875 |
| | $ | 196,883 |

The Center leases space to an organization under an agreement through December 2019. Lease income for each of the years ended December 31, 2018 and 2017 was $42,600. Minimum rental income under the lease will be $42,600 for the year ending 2019.

## 11. Capital Leases

The Center has capital lease agreements for office equipment with monthly payments ranging from $115 to $456, including interest, maturing on dates ranging through July 2023.

Leased equipment has a total cost basis of $30,075 and a net book value of $22,620 at December 31, 2018 and a total cost basis of $71,980 and a net book value of $9,733 at December 31, 2017. Leases for equipment with a cost basis of $65,390 and a net book value of $7,648 were terminated during 2018 and replaced with a new capital lease arrangement.

Payment requirements are as follows for the years ending December 31:

| | | |
|---|---|---|
| 2019 | $ | 6,162 |
| 2020 | | 5,472 |
| 2021 | | 5,472 |
| 2022 | | 5,472 |
| 2023 | | 2,736 |
| Total minimum lease payments | | 25,314 |
| Amounts representing interest | | (3,846) |
| Present value of net minimum capital lease payments | $ | 21,648 |

There were two new capital leases effective January and July 2019, respectively.

## 12. Employee Benefit Plans

The Center has a defined contribution plan under Section 401(k) of the Internal Revenue Code. Elective deferrals are available to employees who have 1 year of service and are 21 years old. The Center may make discretionary contributions to this Plan.

## 12. EMPLOYEE BENEFIT PLANS, CONTINUED

The Center also maintains a non-qualified supplemental retirement plan. The Center's contributions to this Plan are discretionary to designated employees. The participants may also elect to defer up to 15% of compensation under the Plan.

The Center did not make discretionary contributions to these plans during 2018. Discretionary contributions to these plans totaled $9,375 for 2017.

## 13. FEDERAL, STATE AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Entity Report.

| Program Name | Grantor Name | CFDA | Revenue | Expense | Funding Type |
|---|---|---|---|---|---|
| Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program | U.S. Department of Justice – Indianapolis Metropolitan Police Department | 16.590 | $ 164,355 | $ 164,355 | Federal grant passed through state or local government |
| Sexual Assault Service Formula Program | U.S. Department of Justice – Indiana Criminal Justice Institute | 16.017 | 42,954 | 42,954 | Federal grant passed through state or local government |
| Violence Against Women Formula Grant | U.S. Department of Justice – Indiana Criminal Justice Institute | 16.588 | 82,863 | 82,863 | Federal grant passed through state or local government |
| Crime Victim Assistance | U.S. Department of Justice – Indiana Criminal Justice Institute | 16.575 | 453,579 | 453,579 | Federal grant passed through state or local government |
| Transitional Housing Assistance Grants for Victims of Sexual Assault, Domestic Violence, Dating Violence & Stalking | U.S. Department of Justice | 16.736 | 126,430 | 126,430 | Direct federal grant |
| Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies | U.S. Department of Justice | 16.888 | 150,410 | 150,410 | Direct federal grant |
| Legal Assistance for Victims | U.S. Department of Justice | 16.524 | 188,565 | 188,565 | Direct federal grant |
| Child and Adult Care Food Program | U.S. Department of Agriculture – Indiana Department of Education | 10.558 | 44,662 | 44,662 | Federal grant passed through state or local government |

## 13. Federal, State and Local Grant Awards, Continued

| | | | | | |
|---|---|---|---|---|---|
| Social Services Block Grant | U.S. Department of Health and Human Services – Indiana Criminal Justice Institute | 93.667 | 27,621 | 27,621 | Federal grant passed through state or local government |
| Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | U.S. Department of Health and Human Services – Indiana Criminal Justice Institute | 93.671 | 96,126 | 96,126 | Federal grant passed through state or local government |
| Emergency Solutions Grant Program | U.S. Department of Housing and Urban Development – City of Indianapolis | 14.231 | 53,032 | 53,032 | Federal grant passed through state or local government |
| Continuum of Care Program | U.S. Department of Housing and Urban Development – City of Indianapolis | 14.267 | 207,882 | 207,882 | Federal grant passed through state or local government |
| Sexual Assault Victims Assistance Fund | Indiana Criminal Justice Institute | N/A | 96,173 | 96,173 | State and local funding |
| Domestic Violence Prevention and Treatment | Indiana Criminal Justice Institute | N/A | 272,314 | 272,314 | State and local funding |
| Indiana Department of Corrections Direct Assistance | Indiana Department of Corrections | N/A | 5,000 | 5,000 | State and local funding |
| Primary Prevention | Indiana Coalition Against Domestic Violence | N/A | 1,000 | 1,000 | State and local funding |
| Latin X Support | Indiana Civil Rights Commission | N/A | 750 | 750 | State and local funding |
| Homeless Support | Pike Township Trustee | N/A | 2,533 | 2,533 | State and local funding |
| Homeless Support | Warren Township Trustee | N/A | 24,310 | 24,310 | State and local funding |
| Homeless Support | Washington Township Trustee | N/A | 18,000 | 18,000 | State and local funding |
| Homeless Support | Perry Township Trustee | N/A | 6,504 | 6,504 | State and local funding |
| Total funding | | | $2,065,063 | $2,065,063 | |

## 14. Contingency

The Julian Center discovered in early 2019 that its former third-party payroll provider both filed incorrect and failed to file payroll tax returns with the Internal Revenue Service as well as failed to remit payments on behalf of the center. The third-party provider is under IRS investigation. Once this was discovered, the center immediately notified the IRS and has begun the process of filing amended returns. The center is cooperating fully with the IRS in its investigation of the payroll provider. It is too early in the process for the center to fully estimate the amount of taxes, interest and penalties that may be assessed, and accordingly, no accrual has been recorded.

## 15. Reclassification

Certain items in the 2017 financial statement have bene retroactively reclassified to conform to the 2018 presentation. These reclassifications had no effect on net assets at December 31, 2017.

THE JULIAN CENTER, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures | Passed Through to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF JUSTICE** | | | | |
| *Legal Assistance for Victims* | 16.524 | | $ 188,565 | $ 138,971 |
| *Transitional Housing Assistance Grants for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault* | 16.736 | | 126,430 | - |
| *Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies* | 16.888 | | 150,410 | 109,027 |
| Indiana Criminal Justice Institute | | | | |
| *Sexual Assault Services Formula Program* | 16.017 | 6184 | 42,954 | - |
| *Crime Victim Assistance* | 16.575 | 5415 & VOCA-2018-00009<br>5416 & VOCA-2018-00003<br>6712<br>VOCATH-2018-00001 | 453,579 | - |
| *Violence Against Women Formula Grants* | 16.588 | 6165 | 78,212 | - |
| Marion County Sherriff's Office | | | | |
| *Violence Against Women Formula Grants* | 16.588 | 15354 | 4,651 | - |
| Indianapolis Metropolitan Police Department | | | | |
| *Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program* | 16.590 | 2015-WE-AX-0026 | 164,355 | - |
| *Total U.S. Department of Justice* | | | 1,209,156 | 247,998 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| Indiana Department of Education | | | | |
| *Child and Adult Care Food Program* | 10.558 | 1490133 | 44,662 | - |
| *Total U.S. Department of Agriculture* | | | 44,662 | - |
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | |
| City of Indianapolis | | | | |
| CDBG - Entitlement Grants Cluster | | | | |
| *Emergency Solutions Grant Program* | 14.231 | 1300003703 | 53,032 | - |
| *Continuum of Care Program* | 14.267 | 1300003330<br>1300003951<br>1300003452<br>1300004053 | 207,882 | - |
| *Total U.S. Department of Housing and Urban Development* | | | 260,914 | - |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| Indiana Criminal Justice Institute | | | | |
| *Social Services Block Grant* | 93.667 | 17SSBG-5541, SSBG-2018-00001 | 27,621 | - |
| *Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services* | 93.671 | 17FVPSA-6645, FVPSA-2018-00007 | 96,126 | - |
| *Total U.S. Department of Health and Human Services* | | | 123,747 | - |
| *Total Schedule of Expenditures of Federal Awards* | | | $ 1,638,479 | $ 247,998 |

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Julian Center, Inc. and Subsidiary (the Center) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 3 INDIRECT COST RATE

The Center has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance, when applicable.

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# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Julian Center, Inc. and Subsidiary:

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 of America, the consolidated financial statements of The Julian Center, Inc. and Subsidiary (the Center), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 20, 2019.

## Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 Center'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 consolidated 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwalt CPAs, Inc.

June 20, 2019

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Julian Center, Inc. and Subsidiary:

## Report on Compliance for Each Major Federal Program

We have audited the Julian Center, Inc. and Subsidiary's (the Center) 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 Center's major federal programs for the year ended December 31, 2018. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

## Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center'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 of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center'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 Center's compliance.

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# Report on Compliance For Each Major Federal Program And on Internal Control Over Compliance Required by the Uniform Guidance

## Independent Auditors' Report

To the Board of Directors of
The Julian Center, Inc. and Subsidiary:

### Report on Compliance for Each Major Federal Program

We have audited the Julian Center, Inc. and Subsidiary's (the Center) 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 Center's major federal programs for the year ended December 31, 2018. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center'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 of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center'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 Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center 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 Center 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 Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 Center'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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Greenwalt CPAs, Inc.

June 20, 2019

## A. SUMMARY OF AUDITORS' RESULTS

### Consolidated Financial Statements

| | | | |
|---|---|---|---|
| 1. Type of auditors' report issued on whether the consolidated financial statements audited were prepared in accordance with Generally Accepted Accounting Principles (GAAP): | Unmodified | | |
| 2 Internal control over financial reporting: | | | |
| Material weakness(es) identified? | _______yes | ___X____no | |
| Significant deficiency(ies) identified? | _______yes | ___X____none reported | |
| 3. Noncompliance material to consolidated financial statements noted? | _______yes | ___X____no | |

### Federal Awards

| | | | |
|---|---|---|---|
| 4. Internal control over major federal programs: | | | |
| Material weakness(es) identified? | | _______yes | ___X____no |
| Significant deficiency(ies) identified? | | _______yes | ___X____none reported |
| 5. Type of auditors' report issued on compliance for major federal programs: | | Unmodified | |
| 6. Any audit findings disclosed that are required to be reported in accordance with with 2 CFR 200.516(a)? | | _______yes | ___X____no |
| 7. Identification of major federal programs: | CFDA Number | Name of Federal Program or Cluster | |
| | 14.267 | Continuum of Care Program | |
| | 16.575 | Crime Victim Assistance | |
| 8 Dollar threshold used to distinguish between type A and type B programs: | | $ 750,000 | |
| 9. Auditee qualified as low-risk auditee? | | _______yes | ___X____no |

## B. FINDINGS - CONSOLIDATED FINANCIAL STATEMENTS AUDIT

None

## C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None