



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35669

STATE BOARD OF ACCOUNTS
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February 2, 2010

Board of Directors
The Damien Center, Inc.
26 N. Arsenal Ave.
Indianapolis, IN 46201

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, PC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of The Damien Center, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS



THE DAMIEN CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2008 and 2007



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STATE BOARD OF ACCOUNTS



THE DAMIEN CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Damien Center, Inc., a non-profit organization, as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Damien Center, Inc.'s management. Our responsibility is to express an opinion on these 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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of The Damien Center, Inc., as of December 31, 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 14, 2009, on our consideration of The Damien Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Damien Center, Inc. taken as a whole. The accompanying supplementary information on pages 11 through 14 is presented for purposes of additional analysis and is not a required part of the financial statements of The Damien Center, Inc. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of The Damien Center, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

April 14, 2009

Dunbar, Cook & Shepard, P.C.

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 726,281	\$ 665,167
Grants and other receivables	294,975	326,196
Current portion of pledges receivable	189,442	241,859
Medicaid receivable	3,338	7,764
Prepaid expenses	<u>9,321</u>	<u>11,971</u>
TOTAL CURRENT ASSETS	1,223,357	1,252,957
PROPERTY AND EQUIPMENT		
Land	10,500	10,500
Building	339,500	339,500
Building improvements	1,582,218	1,581,768
Furnishings and equipment	265,464	268,144
Technology	106,327	106,327
Less accumulated depreciation	<u>(316,263)</u>	<u>(216,345)</u>
TOTAL PROPERTY AND EQUIPMENT	1,987,746	2,089,894
OTHER ASSETS		
Pledges receivable, net of current portion	<u>135,478</u>	<u>298,068</u>
TOTAL ASSETS	\$ 3,346,581	\$ 3,640,919
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 100,000	\$ 100,000
Line of credit	23,429	-
Accounts payable, accrued payroll, and related expenses	<u>88,076</u>	<u>25,146</u>
TOTAL CURRENT LIABILITIES	211,505	125,146
LONG TERM DEBT		
Bonds payable, net of current portion	<u>406,553</u>	<u>706,553</u>
TOTAL LIABILITIES	618,058	831,699
NET ASSETS		
Unrestricted	1,822,719	1,836,164
Temporarily restricted	<u>905,804</u>	<u>973,056</u>
TOTAL NET ASSETS	<u>2,728,523</u>	<u>2,809,220</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 3,346,581	\$ 3,640,919

THE DAMIEN CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2008, With Comparative Totals for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
	<u>2008</u>	<u>2008</u>	<u>2007</u>
REVENUE AND SUPPORT			
Special events	\$ 186,825	\$ -	\$ 186,825
Less direct expenses of special events	<u>93,936</u>	<u>-</u>	<u>93,936</u>
Net special events	92,889	-	99,631
Grant service contracts	1,434,207	-	1,434,207
Bequests and contributions	385,227	20,355	405,582
United Way of Central Indiana, Inc.			1,559,513
Allocation and donor designated			212,921
General operations	106,852	-	106,852
HIV testing and substance abuse	-	69,791	69,791
Private grants	(9,150)	202,400	193,250
Medicaid	53,945	-	53,945
In-kind contributions	29,178	-	29,178
Investment income	1,152	2,581	3,733
Miscellaneous income	6,785	-	6,785
Net assets released from restrictions	<u>400,726</u>	<u>(400,726)</u>	<u>-</u>
	<u>2,501,811</u>	<u>(105,599)</u>	<u>2,396,212</u>
TOTAL REVENUE AND SUPPORT			<u>2,515,559</u>
EXPENSES			
Program services	2,097,504	-	2,097,504
Supporting services:			
Management and general	159,244	-	159,244
Fundraising	<u>257,975</u>	<u>-</u>	<u>257,975</u>
	2,514,723	-	2,514,723
TOTAL EXPENSES			<u>2,626,178</u>
CHANGES IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>(12,912)</u>	<u>(105,599)</u>	<u>(118,511)</u>
CAPITAL CAMPAIGN			
Contributions	-	73,920	73,920
Direct expenses	<u>(36,106)</u>	<u>-</u>	<u>(36,106)</u>
Capital Campaign assets released from restrictions	<u>35,573</u>	<u>(35,573)</u>	<u>-</u>
	(13,445)	(67,252)	(80,697)
CHANGES IN NET ASSETS			<u>41,892</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,836,164</u>	<u>973,056</u>	<u>2,809,220</u>
	1,822,719	905,804	2,728,523
NET ASSETS, END OF YEAR	<u>\$ 1,822,719</u>	<u>\$ 905,804</u>	<u>\$ 2,809,220</u>

See accompanying notes and auditors' report.

THE DAMIEN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008, With Comparative Totals for 2007

	Program Services					Supporting Services			Total 2008	Total 2007
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries and wages	\$ 464,978	\$ 28,207	\$ 52,865	\$ 133,334	\$ 679,384	\$ 274,021	\$ 104,539	\$ 378,560	\$ 1,172,312	
Employee benefits	105,152	3,672	9,900	24,752	143,476	62,776	19,953	82,729	247,987	
Total salaries and related benefits	570,130	31,879	62,765	158,086	822,860	336,797	124,492	461,289	1,420,299	
Programs and activities	-	15,786	648,948	-	664,734	-	-	-	664,734	
Contract labor	2,000	-	-	21,560	23,560	19,200	-	19,200	42,760	
Events and other	-	15,417	2,972	9	18,398	-	134,964	134,964	153,362	
Program materials and supplies	1,935	-	1,592	22,413	25,940	-	-	-	27,844	
Office supplies and expendables	425	-	315	3	743	12,244	630	12,874	25,940	
Travel and training	3,564	5,314	502	1,036	10,416	5,898	453	6,351	13,617	
Facility maintenance	-	-	932	-	932	78,343	-	78,343	16,767	
Insurance	-	-	-	-	-	23,592	-	23,592	79,275	
Utilities	-	-	-	-	-	22,372	-	22,372	23,592	
Advertising and promotion	-	-	-	3,984	3,984	15	4,912	4,927	8,911	
Professional services and fees	-	-	-	-	-	72,313	9,190	81,503	81,503	
Printing and publications	-	25,000	894	-	25,894	2,001	3,724	5,725	31,619	
Postage	-	60	420	4	484	4,962	2,968	7,930	8,414	
Depreciation	51,457	-	4,334	14,360	70,151	23,554	8,893	32,447	102,598	
Interest	-	-	-	-	-	2,231	-	2,231	2,231	
Telephone	-	-	-	-	-	8,564	-	8,564	8,564	
Meetings/hospitality	145	1,424	-	36	1,605	912	301	1,213	2,818	
Personnel	-	-	-	-	-	472	-	472	472	
Bad debt expense	-	-	-	-	-	-	-	-	-	
Miscellaneous	1,403	490	10,203	2,967	15,063	7,469	12,429	19,898	34,961	
Total direct program expenses	631,059	95,370	733,877	224,458	1,684,764	620,939	302,956	923,895	2,608,659	
Less direct expenses of special events	-	-	-	-	-	-	(93,936)	(93,936)	(93,936)	
Allocated expenses	291,156	16,229	24,591	80,764	412,740	(461,695)	48,955	(412,740)	-	
	\$ 922,215	\$ 111,599	\$ 758,468	\$ 305,222	\$ 2,097,504	\$ 159,244	\$ 257,975	\$ 417,219	\$ 2,514,723	
									\$ 2,626,178	

THE DAMIEN CENTER, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 2,737,069	\$ 2,840,710
Cash received from grants, contributions, and fees	3,733	12,481
Interest received	(1,375,048)	(1,672,948)
Cash paid to vendors	(1,063,202)	(1,170,573)
Salaries and wages paid	(2,231)	-
Interest paid	-	-
NET CASH FROM OPERATING ACTIVITIES	300,321	9,670
CASH FLOWS FROM INVESTING ACTIVITIES	(450)	(25,007)
Purchases of property and equipment	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	37,814	152,511
Capital campaign contributions, net of direct expenses	(300,000)	(100,000)
Repayment of long-term debt	23,429	-
Net borrowings on line of credit	-	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(238,757)	52,511
NET INCREASE IN CASH	61,114	37,174
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	665,167	627,993
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 726,281	\$ 665,167
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM (USED IN) OPERATING ACTIVITIES		
Changes in net assets	\$ (80,697)	\$ 41,892
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities:		
Depreciation	102,598	107,355
Capital campaign contributions, net of direct expenses	(37,814)	(152,511)
Decrease in accounts receivable	250,654	27,598
Decrease (increase) in prepaid expenses	2,650	(1,560)
Increase (decrease) in accounts payable	49,433	(20,596)
Increase (decrease) in accrued payroll and related taxes	(5,258)	1,739
Increase in grants payable	18,755	5,753
NET CASH FROM OPERATING ACTIVITIES	\$ 300,321	\$ 9,670
NONCASH TRANSACTIONS		
In-kind donations	\$ 35,096	\$ 301,592

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2008 and 2007

NOTE A - ORGANIZATION AND PRESENTATION

DESCRIPTION OF PROGRAM AND SERVICES - The Damien Center, Inc. (the Center) was 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 HIV and 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 primary sources of revenue and support are purchase-of-service contracts with the Federal government and the State of Indiana, and private contributors.

BASIS OF ACCOUNTING - The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the United States, which require 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These financial statements have been prepared on the accrual basis of accounting.

BASIS OF PRESENTATION - The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Damien Center, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2007. At December 31, 2008 and 2007, the Center's cash accounts exceeded federally insured limits by \$468,084 and \$520,354, respectively.

PROPERTY AND EQUIPMENT - Purchases of property, equipment, and expenditures which materially increase the value or extend the useful lives of assets are recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method, ranging from 3-7 years for equipment, furniture, and fixtures, and 40 years for building and improvements. Donated assets are recorded at their fair value as of the date of the gift. Routine maintenance and repairs, and minor replacement costs are charged to expense as incurred.

NET ASSETS - Unrestricted net assets include revenue and expenses from the regular operations of the Center, which are at the discretion of management and the Board of Directors. Temporarily restricted net assets including gifts of cash and other assets are reported by the Center as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2008 and 2007

NOTE B - CONTINUED

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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center quarterly reviews contributions and pledges receivable and writes off the amount of individual pledges, if any, it determines to be uncollectible. A discount rate commensurate with the risks involved in holding pledges receivable due in future years was used in calculating the present value of future cash flows. The following unconditional promises to give are included in the Center's pledges receivable:

Amounts due in:

Less than one year	\$ 189,442
One to five years	<u>140,050</u>
 Total pledges receivable	 329,492
 Less discounts to net present value (1.5%)	 <u>(4,572)</u>
 Net pledges receivable at December 31, 2008	 <u>\$ 324,920</u>

EXPENSE ALLOCATION - Expenses have been classified as program services, management and general and fund raising based on the actual direct expenditures and cost allocation based on estimates of time and usage by Center personnel and programs.

ADVERTISING - The Center incurred \$8,911 and \$7,643 in advertising expense for the years ended December 31, 2008 and 2007, respectively. These costs were expensed as incurred.

TAX STATUS - The Center is a not-for-profit voluntary health and welfare organization, other than a private foundation, that is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision is made for federal or state income tax effects.

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2008 and 2007

NOTE C - BONDS PAYABLE

Bonds payable as of December 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>
Bonds payable to bank in yearly principal installments of \$100,000 plus interest at 65% of the bank's prime rate plus 87 points (2.9825% as of December 31, 2008) through January 2012, with a final balloon payment of \$206,553 due in March 2012. The bonds are secured by substantially all the Center's assets.	\$ 506,553	\$ 806,553
Less current portion	<u>(100,000)</u>	<u>(100,000)</u>
Long-term portion	<u>\$ 406,553</u>	<u>\$ 706,553</u>

Maturities of the bonds payable for the years ending December 31 are as follows:

2009	\$ 100,000
2010	100,000
2011	100,000
2012	<u>206,553</u>
	<u>\$ 506,553</u>

NOTE D - LINE OF CREDIT

The Center maintains a \$100,000 line of credit to support short-term working capital needs, which expires on November 21, 2009. Interest is payable monthly and accrues at the bank's prime rate (3.25% at December 31, 2008). Borrowings against the line of credit are secured by the assets of the Center. At December 31, 2008, \$23,429 was outstanding on the line of credit. At December 31, 2007, there were no outstanding borrowings against the line of credit.

NOTE E - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at December 31, 2008 for the following purposes:

Capital Campaign	\$ 560,712
Client Assurance Fund	150,000
2008 Operations	82,806
2008 Programs:	90,806
Programs include Legal Services, Client Educations, Prevention Outreach and Testing, and Care Coordination	
Transportation Program -- Angels for Wheels	10,000
Food/Nutrition Program	<u>11,480</u>
	<u>\$ 905,804</u>

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2008 and 2007

NOTE E - CONTINUED

The temporarily restricted net assets released from restrictions during 2008 were for Operations, Transportation Program, Prevention Outreach and Testing, and Care Coordination professional development.

The Center had donations to the Client Assurance Fund in the amount of \$250,000 reflected as permanently restricted assets. It was determined that the corpus of these donations could be used for the intended purposes and the fund was reclassified as a temporarily restricted asset in 2008. During 2008, \$100,000 of this fund was expended.

NOTE F - OPERATING LEASES

The Center leases copiers under two operating leases which require monthly payments of \$663 through April 2013 and \$221 through June 2011, respectively. The Center leased a new postage meter in 2008 which require quarterly payments of \$182 through October 2013. Lease expense related to these leases in 2008 and 2007 was \$15,518 and \$18,838, respectively. The following is a schedule by years of future minimum lease payments:

2009	\$ 11,341
2010	11,341
2011	9,791
2012	8,684
2013	<u>3,033</u>
	<u>\$ 44,190</u>

NOTE G - IN-KIND DONATIONS

The Center received \$35,096 and \$301,592 of in-kind contributions during 2008 and 2007, respectively. These contributions were for special events, the food pantry, and professional services. In-kind donations have been treated as non-cash transactions for the purpose of the statement of cash flows.

NOTE H - EMPLOYEE BENEFITS

On January 1, 2007, the Center terminated the 403(b) plan and all assets of the plan were distributed to eligible participants.

On January 1, 2007, the Center adopted a 401(k) plan for employees who meet certain eligibility requirements. The plan permits eligible employees, through payroll deductions, to contribute up to \$15,500 annually; employees age 50 and over can contribute an additional contribution of \$5,000. Matching contributions to the plan are at the discretion of the Center's Board of Directors. There were no matching contributions to the plan by the Center during 2008 and 2007.

NOTE I - FUTURE GRANT AUDITS

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 Centers for Disease Control and Prevention.

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2008 and 2007

NOTE J - RELATED PARTY TRANSACTIONS

During 2008 and 2007, the Center engaged in a consulting contract totaling \$30,000 and \$6,500, respectively, with a consulting firm, whose owner is related to a staff member.

The past President of the Center's Board is also a partner at a law firm that performed legal services at no cost to the Center during 2008 and 2007. The estimated value of these services was \$12,118 and \$16,196 for the years ending December 31, 2008 and 2007, respectively. These services have been reflected as an in-kind contribution on the statement of activities.

NOTE K - CONCENTRATIONS

During 2008, the Center received 45% of its total bequests and contributions from one donor totaling approximately \$212,500. The Center also received 22% and 18% of its total revenue from government agencies for two of its programs Housing & Emergency Assistance and Care Coordination, respectively.

During 2007, the Center received 71% of its capital campaign revenue from one donor totaling \$150,000. The Center also received 18% and 14% of its total revenue from government agencies for two of its programs, Housing & Emergency Assistance and Care Coordination, respectively.

NOTE L - CAPITAL CAMPAIGN

During 2005, the Center initiated a capital campaign to purchase and renovate a new location. As of December 31, 2006, the renovation of the building was complete, and the Center was operating at the new location. As of December 31, 2008, approximately 90% of the capital campaign goal of \$3.7 million had been raised.

NOTE M - SUBSEQUENT EVENT

In 2009, the SOS program grant and Substance Abuse program grant were discontinued. Total revenue under these two grant programs totaled approximately \$55,000 and \$59,000, respectively, for the years ending December 31, 2008 and 2007.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our report on our audit of the basic financial statements of The Damien Center, Inc., for 2008 and 2007 appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information shown on pages 12 and 13 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

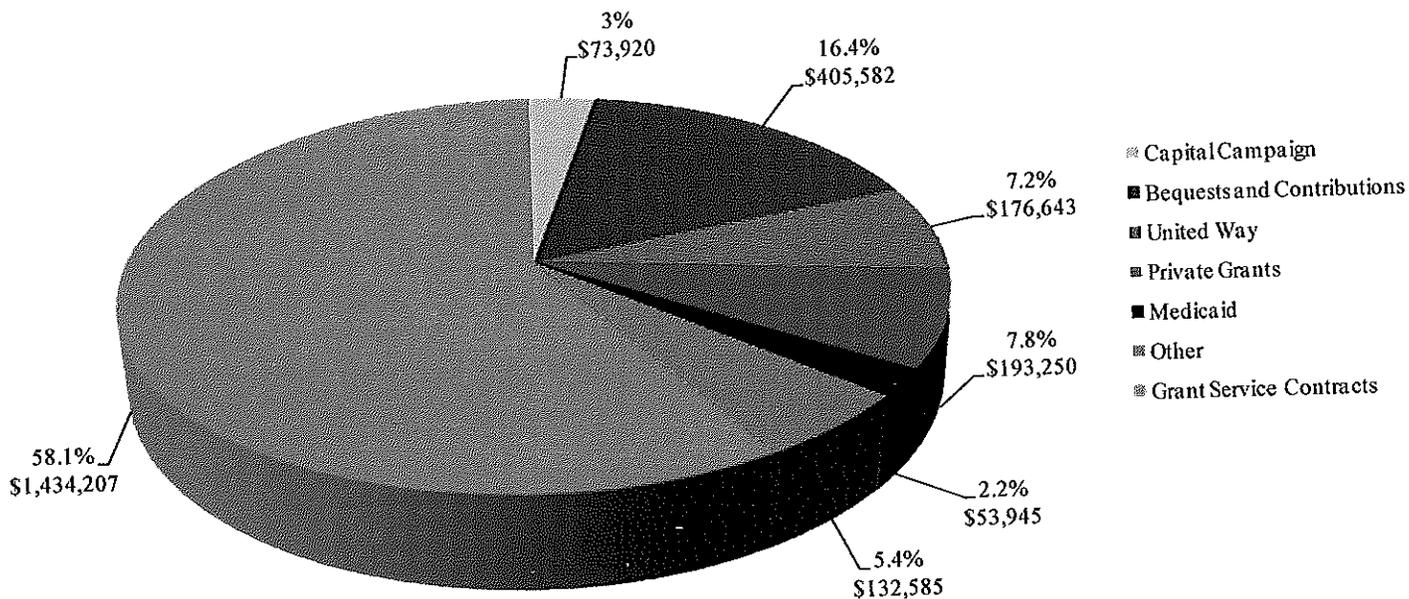
April 14, 2009

Dunbar, Cook & Shepard, P.C.

**THE DAMIEN CENTER, INC.
REVENUE GRAPHS
2008 and 2007**

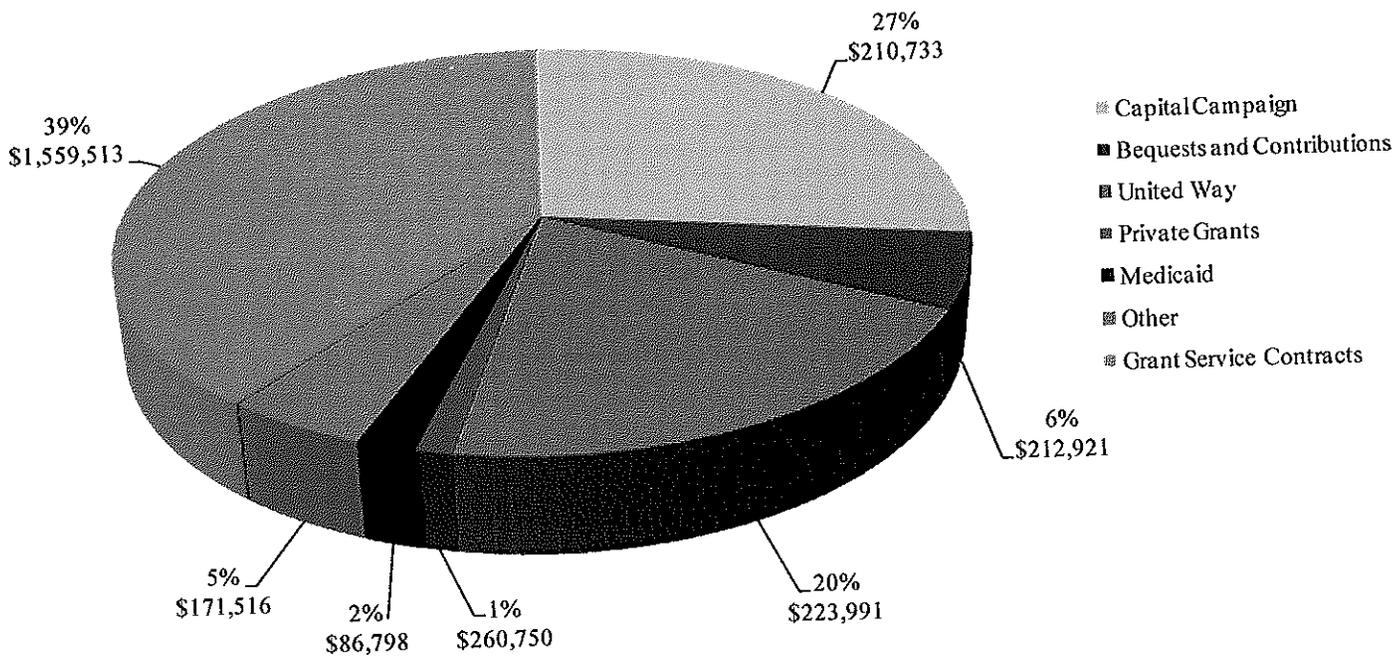
2008

Revenue

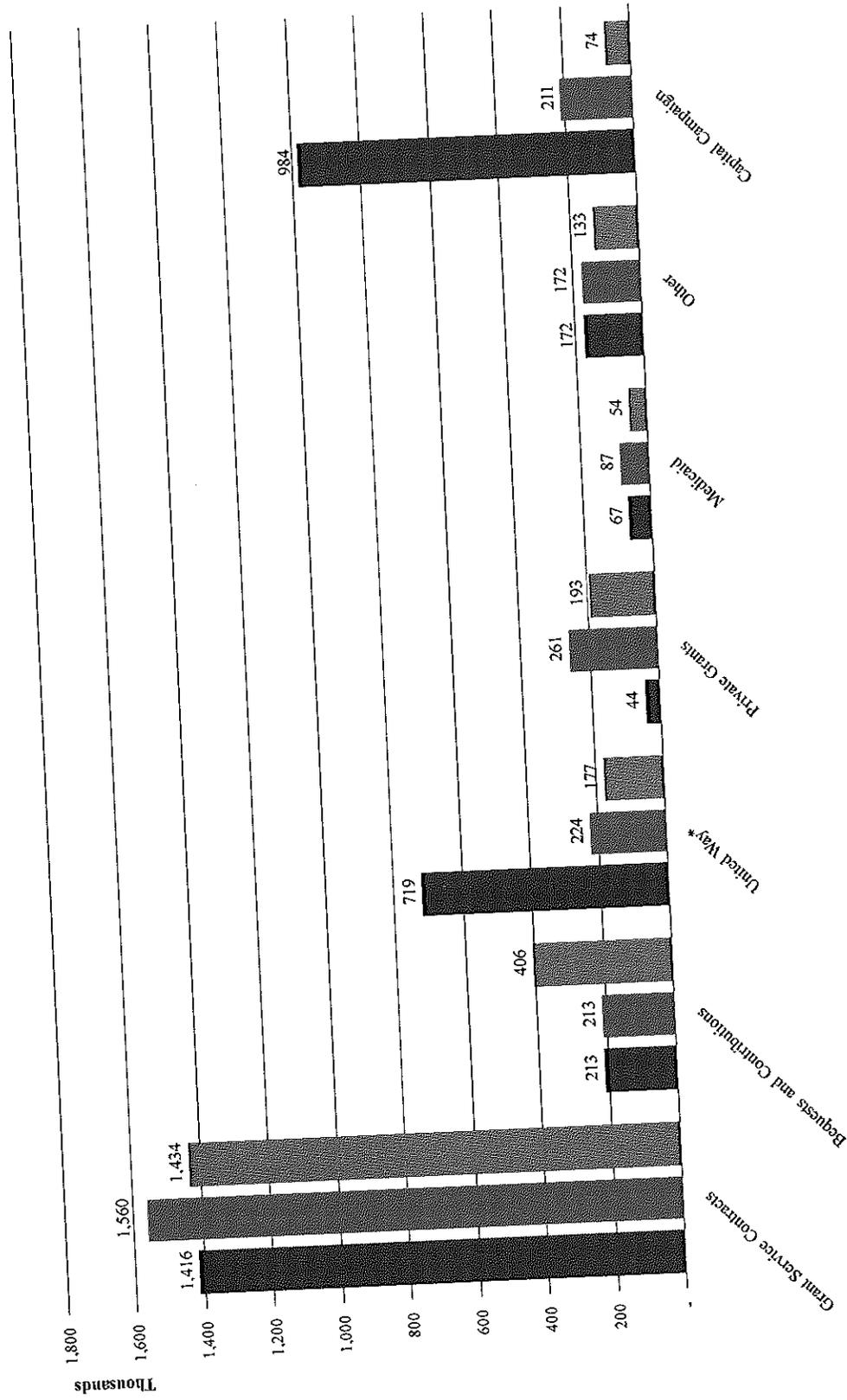


2007

Revenue



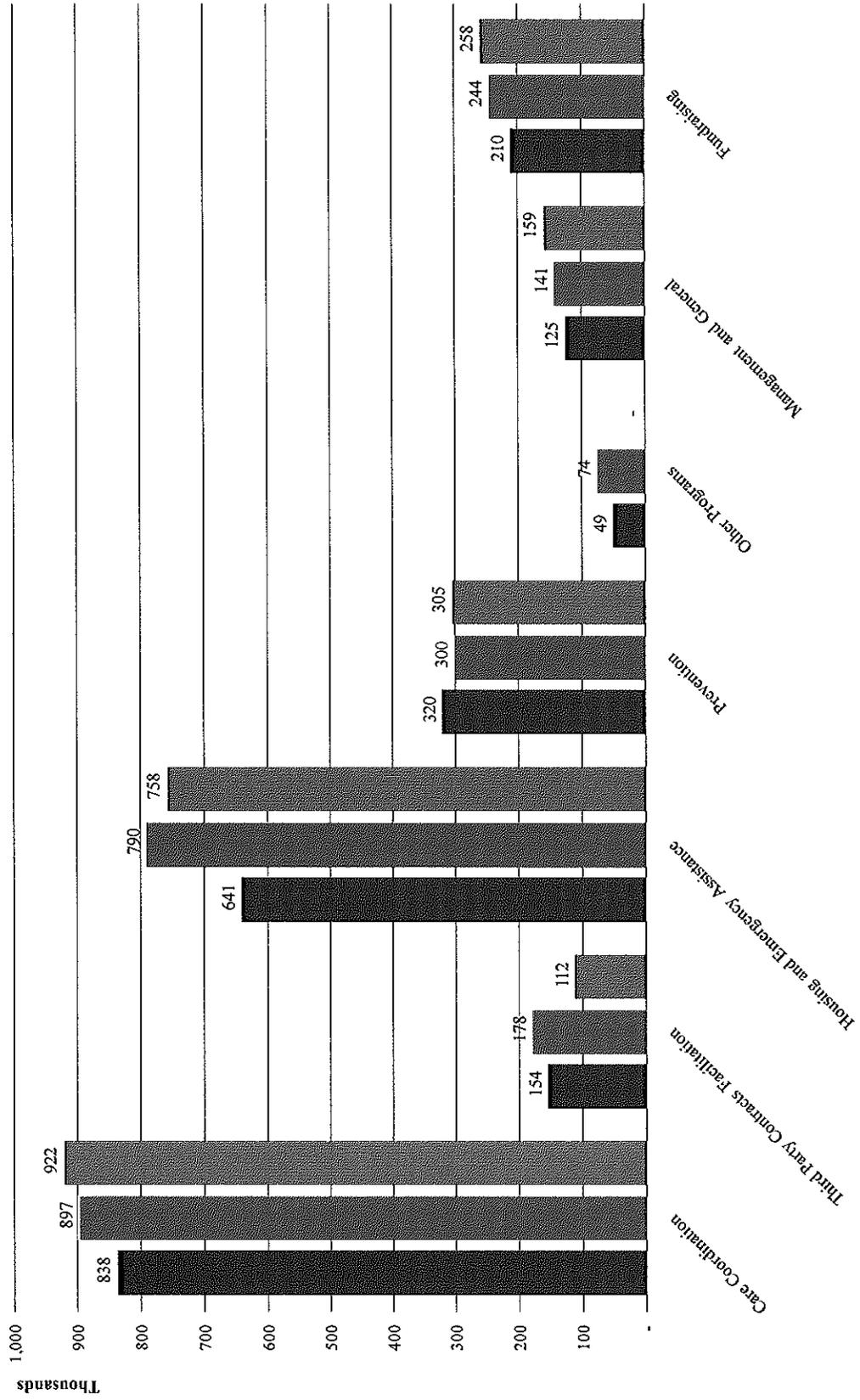
**THE DAMIEN CENTER, INC.
REVENUE GRAPH
2006, 2007 and 2008**



*The 2006 amounts for United Way include revenue totaling \$535,358 for the Capital Campaign.

■ 2006 ■ 2007 ■ 2008

**THE DAMIEN CENTER, INC.
EXPENSE GRAPH
2006, 2007 and 2008**



■ 2006 ■ 2007 ■ 2008

SINGLE AUDIT SECTION

THE DAMIEN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Indiana State Department of Health, State AIDS Special Project 670-7	93.006	\$ 94,192
Indiana State Department of Health, State AIDS Care Coordination	93.667	436,017
MCHD, Early Intervention Title IIIb	93.918	12,966
Indiana State Department of Health, Community Planning, and State AIDS Prevention Management	93.940	150,040
MCHD, SOS Program Grant	93.977	10,000
MCHD, Part A Emergency Relief	93.914	86,605
U.S. Department of Housing and Urban Development		
Housing Opportunities for People With AIDS (Direct Emergency Financial Assistance included)	14.241	593,105
Centers for Disease Control and Prevention		
Indiana State Department of Health, Medical Monitoring Project	93.944	<u>4,950</u>
		<u>\$ 1,387,875</u>

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

To the Board of Directors
The Damien Center, Inc.
Indianapolis, IN

We have audited the financial statements of The Damien Center, Inc., as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Damien Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Damien Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements, that is more than inconsequential, will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Damien Center, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

April 14, 2009

Dunbar, Cook & Shepard, P.C.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
The Damien Center, Inc.
Indianapolis, IN

Compliance

We have audited the compliance of The Damien Center, Inc., with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Damien Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Damien Center, Inc.'s management. Our responsibility is to express an opinion on The Damien Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Damien Center, Inc.'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. Our audit does not provide a legal determination on The Damien Center, Inc.'s compliance with those requirements.

In our opinion, The Damien Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of The Damien Center, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Damien Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Damien Center, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

April 14, 2009

Dunbar, Cook & Shepard, P.C.

April 14, 2009

To the Board of Directors
The Damien Center, Inc.

We have audited the financial statements of The Damien Center, Inc., for the year ended December 31, 2008, and have issued our report thereon dated April 14, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 16, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 13, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Damien Center, Inc., are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the collectability of accounts receivable is based on historical collection rates and an analysis of the collectability of balances due. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

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The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to The Damien Center, Inc.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as The Damien Center, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the Audit Committee, the Board of Directors, and management of The Damien Center, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Dunbar, Cook & Shepard, P.C.

THE DAMIEN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of auditors' report issued: **unqualified.**

Government Auditing Standards

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes no

Compliance:

- Noncompliance material to financial statements noted? yes no

OMB Circular A-133

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes no

Compliance with requirements applicable to each major program:

- Identification of major programs: **14,241 Housing Opportunities for People With AIDS**
- Dollar threshold used to distinguish between type A and type B programs: **\$ 300,000**
- Auditee qualified as low-risk auditee? yes no
- Type of auditors' report issued on compliance for major programs: **unqualified.**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

- *None*

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*