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October 10, 2013

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

We have reviewed the audit report prepared by Ent : Imler, CPA, PC, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. 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, 2009, 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



focusing on the future

The Damien Center, Inc.

***Financial Statements
With Supplemental Information
December 31, 2009 and 2008***

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Damien Center, Inc. (an Indiana non-profit organization) as of December 31, 2009, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year 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. The financial statements of The Damien Center, Inc. as of December 31, 2008, were audited by other auditors whose report dated April 14, 2009, expressed an unqualified opinion on those statements.

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. 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 financial statements referred to above present fairly, in all material respects, the financial position of The Damien Center, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year 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 May 21, 2010, on our consideration of The Damien Center, Inc.'s internal control over financial reporting and 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 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 accessing 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 16 and 17 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 Organization*, 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.

Ent: Imler CPA, PC

ENT : IMLER CPA, PC

Indianapolis, Indiana
May 21, 2010

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash	\$ 603,382	\$ 726,281
Grants and other receivables	277,598	294,975
Current portion of pledges receivable	95,657	189,442
Medicaid receivable	-	3,338
Prepaid expenses	<u>3,848</u>	<u>9,321</u>
 Total Current Assets	 <u>980,485</u>	 <u>1,223,357</u>
 PROPERTY AND EQUIPMENT:		
Land	10,500	10,500
Building	339,500	339,500
Building improvements	1,582,218	1,582,218
Furnishings and equipment	268,054	265,464
Technology	148,166	106,327
Less: accumulated depreciation	<u>(421,646)</u>	<u>(316,263)</u>
 Total Property and Equipment, net	 <u>1,926,792</u>	 <u>1,987,746</u>
 OTHER ASSETS:		
Pledges receivable, net of current portion	<u>87,460</u>	<u>135,478</u>
 TOTAL ASSETS	 <u><u>\$ 2,994,737</u></u>	 <u><u>\$ 3,346,581</u></u>

See independent auditors' report and accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
 (continued)
 DECEMBER 31, 2009 AND 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES:		
Current portion of bonds payable	\$ 100,000	\$ 100,000
Line of credit	-	23,429
Accounts payable and accrued expenses	<u>37,540</u>	<u>88,076</u>
 Total Current Liabilities	 <u>137,540</u>	 <u>211,505</u>
 LONG TERM DEBT:		
Bonds payable, net of current portion	<u>306,553</u>	<u>406,553</u>
 Total Liabilities	 <u>444,093</u>	 <u>618,058</u>
 NET ASSETS:		
Unrestricted	1,662,359	1,822,719
Unrestricted - Client assurance fund	100,000	-
Temporarily restricted	<u>788,285</u>	<u>905,804</u>
 Total Net Assets	 <u>2,550,644</u>	 <u>2,728,523</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,994,737</u></u>	 <u><u>\$ 3,346,581</u></u>

See independent auditors' report and accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2009</u>	Total <u>2008</u>
REVENUES AND SUPPORT:				
Special events	\$ 175,726	\$ -	\$ 175,726	\$ 186,825
Less direct expenses of special events	<u>(102,808)</u>	<u>-</u>	<u>(102,808)</u>	<u>(93,936)</u>
Net special events	72,918	-	72,918	92,889
Grant service contracts	1,254,070	-	1,254,070	1,434,207
Bequests and contributions	206,737	3,300	210,037	405,582
United Way of Central Indiana, Inc.:				
Allocation and donor designated	91,027	-	91,027	106,852
General operations	-	69,122	69,122	69,791
Private grants	8,456	56,604	65,060	193,250
Medicaid	41,692	-	41,692	53,945
In-kind contributions	37,607	-	37,607	29,178
Investment income	266	228	494	3,733
Miscellaneous income	-	-	-	6,785
Net assets released from restrictions	<u>208,902</u>	<u>(208,902)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>1,921,675</u>	<u>(79,648)</u>	<u>1,842,027</u>	<u>2,396,212</u>
EXPENSES:				
Program services	1,691,828	-	1,691,828	2,097,504
Supporting services:				
Management and general	115,945	-	115,945	159,244
Fundraising	<u>189,551</u>	<u>-</u>	<u>189,551</u>	<u>257,975</u>
Total Expenses	<u>1,997,324</u>	<u>-</u>	<u>1,997,324</u>	<u>2,514,723</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>(75,649)</u>	<u>(79,648)</u>	<u>(155,297)</u>	<u>(118,511)</u>
CAPITAL CAMPAIGN				
Contributions	-	8,170	8,170	73,920
Direct expenses	(30,752)	-	(30,752)	(36,106)
Capital Campaign assets released from restrictions	<u>46,041</u>	<u>(46,041)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(60,360)	(117,519)	(177,879)	(80,697)
NET ASSETS, beginning of year	<u>1,822,719</u>	<u>905,804</u>	<u>2,728,523</u>	<u>2,809,220</u>
NET ASSETS, end of year	<u>\$ 1,762,359</u>	<u>\$ 788,285</u>	<u>2,550,644</u>	<u>2,728,523</u>

See independent auditors' report and accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2009

	Program Services				Supporting Services				Total 2009	Total 2008
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries and wages	\$ 324,991	\$ 25,812	\$ 35,434	\$ 115,375	\$ 501,612	\$ 193,863	\$ 93,028	\$ 286,891	\$ 788,503	\$ 1,057,944
Employee benefits	63,196	1,958	6,405	20,909	92,468	49,078	19,825	68,903	161,371	226,205
Total salaries and related benefits	388,187	27,770	41,839	136,284	594,080	242,941	112,853	355,794	949,874	1,284,149
Programs and activities	-	395	567,327	-	567,722	-	-	-	567,722	664,734
Contract labor	1,033	-	-	-	1,033	-	-	-	1,033	42,760
Events and other	11,903	-	1,667	305	13,875	855	82,909	83,764	97,639	153,362
Program materials and supplies	788	-	716	14,403	15,907	-	-	-	15,907	25,940
Office supplies and expendables	518	15,639	232	417	16,806	6,714	215	6,929	23,735	13,617
Travel and training	5,671	263	717	450	7,101	8,990	-	8,990	16,091	16,767
Facility maintenance	-	-	465	-	465	57,162	-	57,162	57,627	79,275
Insurance	-	-	-	-	-	26,587	-	26,587	26,587	23,592
Utilities	-	-	-	-	-	23,967	-	23,967	23,967	22,372
Advertising and promotion	-	-	-	18,531	18,531	705	117	822	19,353	8,911
Professional services and fees	-	5,000	-	-	5,000	70,273	4,029	74,302	79,302	81,503
Printing and publications	7,565	-	2,870	260	10,695	2,652	130	2,782	13,477	31,619
Postage	-	-	-	-	-	5,115	552	5,667	5,667	8,414
Depreciation	43,719	4,767	4,812	16,693	69,991	23,358	12,033	35,391	105,382	102,598
Interest	-	-	-	-	-	2,355	-	2,355	2,355	2,231
Telephone	-	-	-	-	-	8,998	-	8,998	8,998	8,564
Meetings/hospitality	86	-	-	280	366	831	225	1,056	1,422	2,818
Personnel	-	-	-	-	-	205	-	205	205	472
Miscellaneous	902	42,960	13,703	326	57,891	1,994	23,904	25,898	83,789	34,961
Total direct program expenses	460,372	96,794	634,348	187,949	1,379,463	483,702	236,967	720,669	2,100,132	2,608,659
Less direct expenses of special events	-	-	-	-	-	-	(102,808)	(102,808)	(102,808)	(93,936)
Allocated expenses	201,268	12,194	22,125	76,778	312,365	(367,757)	55,392	(312,365)	-	-
TOTAL EXPENSES	\$ 661,640	\$ 108,988	\$ 656,473	\$ 264,727	\$ 1,691,828	\$ 115,945	\$ 189,551	\$ 305,496	\$ 1,997,324	\$ 2,514,723

See independent auditors' report and accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants, contributions, and fees	\$ 2,106,860	\$ 2,737,069
Interest received	494	3,733
Cash paid to vendors	(1,247,396)	(1,375,048)
Salaries and wages paid	(790,062)	(1,063,202)
Interest paid	<u>(2,355)</u>	<u>(2,231)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>67,541</u>	 <u>300,321</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(44,429)</u>	<u>(450)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(44,429)</u>	 <u>(450)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions, net of direct expenses	(22,582)	37,814
Repayment of long-term debt	(100,000)	(300,000)
Net (repayment) borrowings on line of credit	<u>(23,429)</u>	<u>23,429</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(146,011)</u>	 <u>(238,757)</u>
 NET (DECREASE) INCREASE IN CASH	 (122,899)	 61,114
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>726,281</u>	 <u>665,167</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 603,382</u>	 <u>\$ 726,281</u>
 RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY) OPERATING ACTIVITIES:		
Change in net assets	\$ (177,879)	\$ (80,697)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,383	102,598
Capital campaign contributions, net of direct expenses	22,582	(37,814)
Decrease in accounts receivable	162,518	250,654
Decrease in prepaid expenses	5,473	2,650
Increase (decrease) in accounts payable	(23,120)	49,433
Increase (decrease) in accrued payroll and related taxes	(1,559)	(5,258)
Increase (decrease) in grants payable	<u>(25,857)</u>	<u>18,755</u>
 NET CASH FROM OPERATING ACTIVITIES	 <u>\$ 67,541</u>	 <u>\$ 300,321</u>

See independent auditors' report and accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - 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 – As required by Financial Statement Presentation Disclosure topic of FASB ASC, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

Net Assets - The financial statements report amounts separately by class of net assets:

Unrestricted net assets - Unrestricted amounts are those currently available for use in the Center's activities.

Temporarily restricted net assets - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of December 31, 2009 and 2008, the Center had temporary restrictions on a portion of its net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on the related investments for general or specific purposes. As of December 31, 2009 and 2008, the Center had no permanently restricted net assets.

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, 2009 and 2008.

In the normal course of business, the Center may maintain cash held at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000.

Property and Equipment - Land, building and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Center capitalizes additions of fixed assets in excess of \$500 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 years. Expenditures for fixed assets and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was \$105,382 and \$102,598 for the years ended December 31, 2009 and 2008, respectively.

Contributed Materials and Services - Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to fixed assets.

The Center received \$37,607 and \$35,096 of in-kind contributions during 2009 and 2008, 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.

Contributions and Pledges - Contributions are recognized when the donor makes an unconditional promise to give to the Center and are recorded at their fair value 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	\$95,657
One to five years	<u>95,414</u>
Total pledges receivable	191,071
Less discounts to net present value (2.5%)	<u>(7,954)</u>
Net pledges receivable at December 31, 2009	<u>\$ 183,117</u>

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions.

Costs are allocated to the programs, supporting services and fundraising costs. Management periodically evaluates its allocation method and revises it when necessary. General and supporting expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Center.

Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Impairment of Long-Lived Assets - Each year, the Center evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. An impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that an impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. As of December 31, 2009, management has determined that no impairment exists.

Advertising - The Center incurred \$19,353 and \$8,911 in advertising expense for the years ended December 31, 2009 and 2008, 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 Center has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings when applicable. The Center is unaware of any uncertainties or provisions needed for income taxes.

NOTE 2 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Care Coordination – Care Coordination provides specialized case management to anyone living with HIV/AIDS. A staff of highly trained individuals is available to meet with clients at the Damien Center’s Arsenal Avenue location, the individual’s home, or other mutually agreed upon locations, as well as various community locations around Indianapolis. Specialized case management for families and children is provided through Riley Hospital for Children on a weekly basis.

Third Party Contracts Facilitation – The Center provides third party contracts facilitation for the State of Indiana and provides programs for the prevention of persons contracting HIV/AIDS.

Housing & Emergency Assistance – The Center’s Housing and Economic Assistance Services Department works to ensure that those in need have safe and affordable housing of choice. Frequently, persons living with HIV/AIDS may have problems meeting rent, utilities, or other housing expenses. The Housing Assistance program has grant dollars to provide on-going and short term rental assistance to qualifying applicants. The Center’s Housing Program’s include HUD HOPWA awarded by the City of Indianapolis which includes two types of rental and emergency assistance.

Prevention – The Center offers free and confidential HIV testing Monday through Saturday. The Center provides trained, supportive prevention case managers to help counsel groups and individuals who may be considered high risk of HIV or other STDs.

NOTE 3 – BONDS PAYABLE

Bonds payable as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</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, 2009) 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.	\$ 406,553	\$ 506,553
Less current portion	<u>(100,000)</u>	<u>(100,000)</u>
Long term portion	<u>\$ 306,553</u>	<u>\$ 406,553</u>

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

2010	\$ 100,000
2011	100,000
2012	<u>206,553</u>
	<u>\$ 406,553</u>

NOTE 4 - LINE OF CREDIT

The Center maintains a \$100,000 line of credit to support short-term working capital needs, which expires on November 21, 2010. Interest is payable monthly and accrues at the bank's prime rate (4.75% at December 31, 2009). Borrowings against the line of credit are secured by the assets of the Center. At December 31, 2009 and 2008, \$0 and \$23,409 was outstanding on the line of credit, respectively.

NOTE 5 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Capital Campaign	\$ 539,811	\$ 560,712
Client Assurance Fund	150,000	150,000
2009 Operations	24,414	82,806
2009 Programs:	63,242	90,806
Programs include Legal Services, Client Educations, Prevention Outreach and Testing, and Care Coordination		
Transportation Programs - Angels for Wheels	4,240	10,000
Food/Nutrition Program	<u>6,578</u>	<u>11,480</u>
	<u>\$ 788,285</u>	<u>\$ 905,804</u>

The temporarily restricted net assets released from restrictions during 2009 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 net 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. In 2009, the Board designated \$100,000 of unrestricted net assets to replenish the fund.

NOTE 6 - 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 2009 and 2008 was \$9,514 and \$15,518, respectively. The following is a schedule by years of future minimum lease payments.

<u>Year</u>	<u>Amount</u>
2010	\$ 11,336
2011	10,010
2012	8,684
2013	<u>3,258</u>
	<u>\$ 33,288</u>

NOTE 7 - EMPLOYEE BENEFITS

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 2009 and 2008.

NOTE 8 - 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.

NOTE 9 - RELATED PARTY TRANSACTIONS

During 2009 and 2008, the Center engaged in a consulting contract totaling \$0 and \$30,000, 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 2009 and 2008. The estimated value of these services was \$0 and \$12,118 for the years ending December 31, 2009 and 2008, respectively. These services have been reflected as an in-kind contribution on the statement of activities.

NOTE 10 - CONCENTRATIONS

The Center maintains its cash accounts at a regional bank. Accounts at this bank are guaranteed by the FDIC up to \$250,000. There was \$353,382 and \$468,084 in excess of insured limits at December 31, 2009 and 2008, respectively.

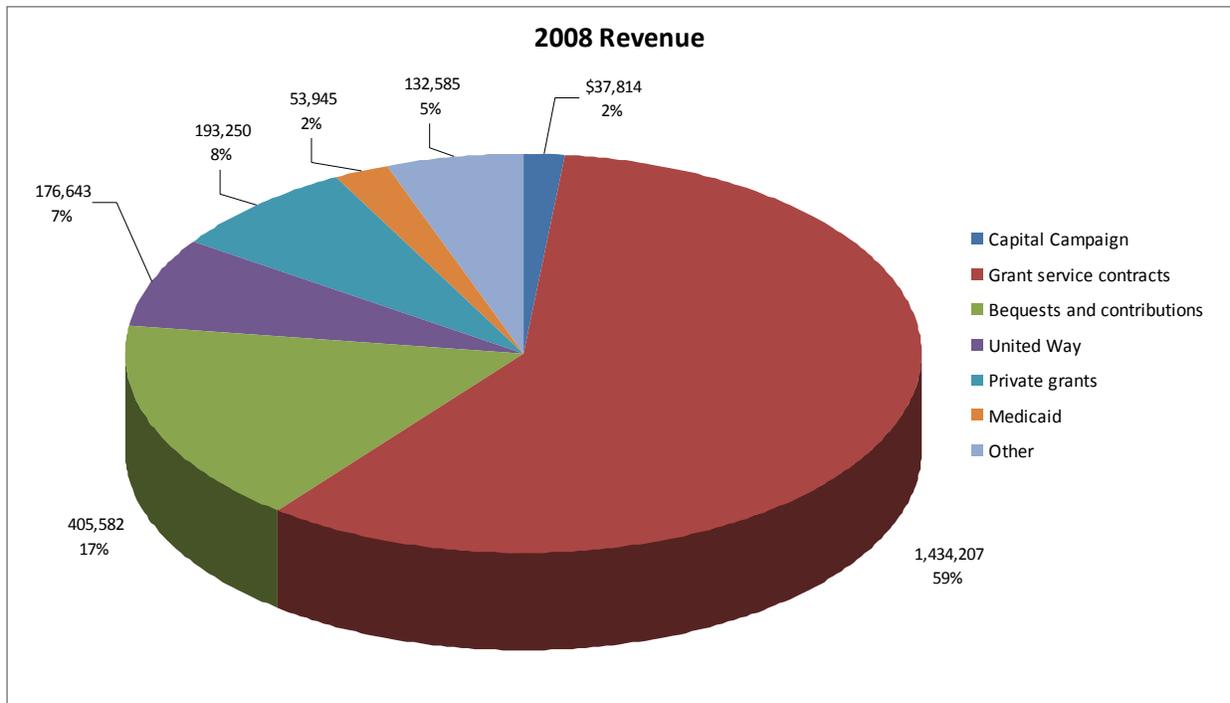
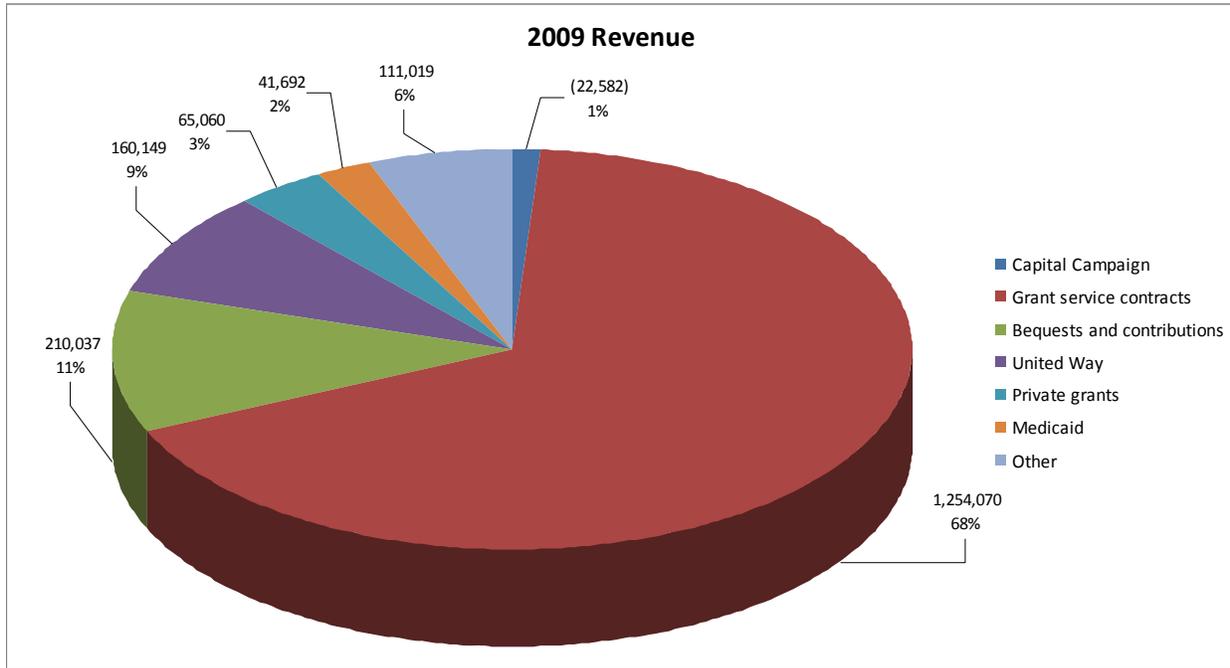
During 2009 and 2008, the Center received 27% and 22% of its total revenue from government agencies for two of its programs Housing & Emergency Assistance and Care Coordination, respectively.

NOTE 11 - SUBSEQUENT EVENT

In preparing these financial statements, the Center has evaluated subsequent events and transactions for potential recognition or disclosure through May 21, 2010, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

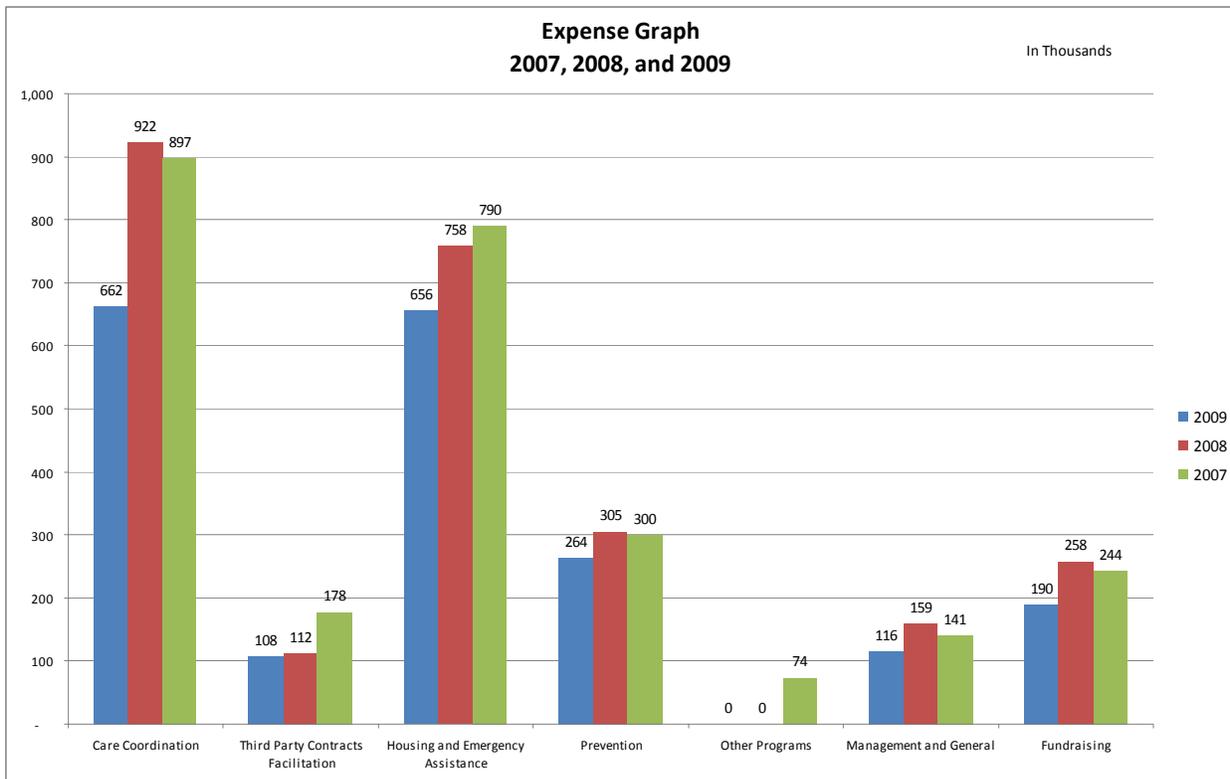
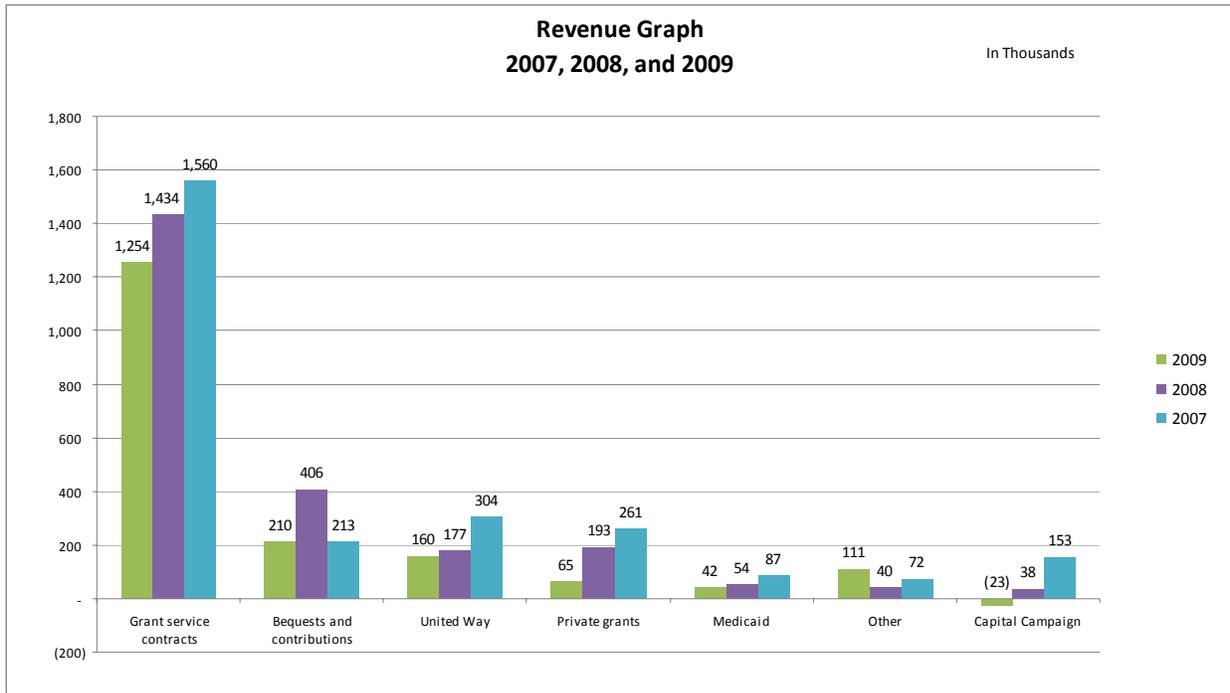
THE DAMIEN CENTER, INC.
REVENUE GRAPHS
DECEMBER 31, 2009 AND 2008



THE DAMIEN CENTER, INC.

REVENUE AND EXPENSE GRAPHS

DECEMBER 31, 2009 AND 2008



SINGLE AUDIT SECTION

THE DAMIEN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services		
Indiana State Department of Health, State AIDS Special Project 670-7	93.006	\$ 129,906
Indiana State Department of Health, State AIDS Care Coordination	93.667	396,686
MCHD, Early Intervention Title IIIb	93.918	11,380
Indiana State Department of Health, Community Planning, and State Aids Prevention Management	93.940	146,104
MCHD, Part A Emergency Relief	93.914	64,927
Housing Opportunities for People With AIDS (Direct Emergency Financial Assistance included)	14.241	<u>508,186</u>
		<u>\$ 1,257,189</u>

**INDEPENDENT AUDITOR'S 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
of The Damien Center, Inc.
Indianapolis, Indiana

We have audited the financial statements of The Damien Center, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated May 21, 2010. 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.

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 entity'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 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 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 do 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 disclose 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.

Ent : Imler CPA, PC

Ent : Imler CPA, PC

Indianapolis, Indiana
May 21, 2010

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

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

Compliance

We have audited the compliance of The Damien Center, Inc., with 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, 2009. 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, 2009.

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 do 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.

Ent: Imler CPA, PC
Ent : Imler CPA, PC

Indianapolis, Indiana
May 21, 2010

THE DAMIEN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- Type of auditors’ report issued: **unqualified**

Government Auditing Statements

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Compliance:

- Noncompliance material to financial statements noted? _____ Yes X No

OMB Circular A-133:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No

Compliance with requirements applicable to each major program:

- Identification of major programs: **93.667 State AIDS Care Coordination**
- Dollar threshold used to distinguish between type A type B programs: **\$ 300,000**
- Auditee qualified as low-risk auditee? X 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 X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

- *None*

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

See auditors’ report on compliance with requirements applicable to each major program on an internal control over compliance in accordance with the OMB Circular A-133.