



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B42843

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 10, 2013

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

We have reviewed the audit report prepared by Sikich, Independent Public Accountants, for the period January 1, 2012 to December 31, 2012. 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, 2012, 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
With Supplementary Information

For the Years Ended
December 31, 2012 and 2011



8555 N. River Rd., Suite 300
Indianapolis, IN 46240
(317) 842-4466
www.sikich.com

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3-4
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	5-6
STATEMENTS OF FUNCTIONAL EXPENSES.....	7-8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS.....	10-18
SUPPLEMENTARY INFORMATION:	
REVENUE GRAPHS.....	20
EXPENSE GRAPHS	21
SINGLE AUDIT SECTION:	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	23
REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	24-25
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	26-27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	28



317.842.4466 // www.sikich.com

8555 N. River Rd., Suite 300
Indianapolis, Indiana 46240

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Damien Center, Inc. (an Indiana non-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Damien Center, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20 and 21 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 March 21, 2013 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Damien Center, Inc.'s internal control over financial reporting and compliance.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
March 21, 2013

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 321,587	\$ 303,376
Grants and other receivables	330,391	277,370
Prepaid expenses	<u>10,749</u>	<u>4,565</u>
 Total Current Assets	 <u>662,727</u>	 <u>585,311</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	295,069	288,729
Technology	<u>157,955</u>	<u>156,365</u>
	2,385,242	2,377,312
Less: accumulated depreciation	<u>(692,417)</u>	<u>(628,900)</u>
 Total Property and Equipment, net	 <u>1,692,825</u>	 <u>1,748,412</u>
OTHER ASSETS:		
Certificates of deposit	251,755	250,000
Marketable securities	<u>1,617</u>	<u>-</u>
 Total Other Assets	 <u>253,372</u>	 <u>250,000</u>
	 <u>\$ 2,608,924</u>	 <u>\$ 2,583,723</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
(Continued)
DECEMBER 31, 2012 AND 2011

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Current portion of bonds payable	\$ -	\$ 56,553
Accounts payable	50,790	22,996
Accrued expenses	<u>30,540</u>	<u>22,661</u>
 Total Current Liabilities	 <u>81,330</u>	 <u>102,210</u>
 NET ASSETS:		
Unrestricted	2,032,264	1,954,213
Unrestricted - client assurance fund	100,000	100,000
Temporarily restricted	<u>395,330</u>	<u>427,300</u>
 Total Net Assets	 <u>2,527,594</u>	 <u>2,481,513</u>
	 <u>\$ 2,608,924</u>	 <u>\$ 2,583,723</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Special events	\$ 240,098	\$ -	\$ 240,098
Less direct expenses of special events	<u>(70,553)</u>	<u>-</u>	<u>(70,553)</u>
Net special events	169,545	-	169,545
Grant service contracts	1,704,815	594	1,705,409
Contract Fees	102,524	-	102,524
Bequests and contributions	298,449	398	298,847
United Way of Central Indiana, Inc.:			
Allocation and donor designated	96,918	-	96,918
General operations	57,102	-	57,102
Private grants	141,079	179,908	320,987
In-kind contributions	61,586	-	61,586
Investment income	1,342	-	1,342
Miscellaneous income	22,700	-	22,700
Net assets released from restrictions	<u>80,571</u>	<u>(80,571)</u>	<u>-</u>
Total Revenues and Support	<u>2,736,631</u>	<u>100,329</u>	<u>2,836,960</u>
EXPENSES:			
Program services	2,074,251	-	2,074,251
Supporting services:			
Management and general	456,854	-	456,854
Fundraising	<u>259,528</u>	<u>-</u>	<u>259,528</u>
Total Expenses	<u>2,790,633</u>	<u>-</u>	<u>2,790,633</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>(54,002)</u>	<u>100,329</u>	<u>46,327</u>
CAPITAL CAMPAIGN:			
Interest Income	1	-	1
Direct expenses	(247)	-	(247)
Capital Campaign assets released from restrictions	<u>132,299</u>	<u>(132,299)</u>	<u>-</u>
CHANGE IN NET ASSETS	78,051	(31,970)	46,081
NET ASSETS, beginning of year	<u>2,054,213</u>	<u>427,300</u>	<u>2,481,513</u>
NET ASSETS, end of year	<u>\$ 2,132,264</u>	<u>\$ 395,330</u>	<u>\$ 2,527,594</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Special events	\$ 190,638	\$ -	\$ 190,638
Less direct expenses of special events	<u>(62,992)</u>	<u>-</u>	<u>(62,992)</u>
Net special events	127,646	-	127,646
Grant service contracts	1,726,047	34,465	1,760,512
Bequests and contributions	261,504	6,167	267,671
United Way of Central Indiana, Inc.:			
Allocation and donor designated	84,448	-	84,448
General operations	57,829	-	57,829
Private grants	121,903	57,919	179,822
Medicaid	33,546	-	33,546
In-kind contributions	47,043	-	47,043
Investment income	87	-	87
Miscellaneous income	21,480	-	21,480
Net assets released from restrictions	<u>66,962</u>	<u>(66,962)</u>	<u>-</u>
Total Revenues and Support	<u>2,548,495</u>	<u>31,589</u>	<u>2,580,084</u>
EXPENSES:			
Program services	1,895,978	-	1,895,978
Supporting services:			
Management and general	556,274	-	556,274
Fundraising	<u>216,643</u>	<u>-</u>	<u>216,643</u>
Total Expenses	<u>2,668,895</u>	<u>-</u>	<u>2,668,895</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>(120,400)</u>	<u>31,589</u>	<u>(88,811)</u>
CAPITAL CAMPAIGN:			
Contributions	11,500	-	11,500
Direct expenses	(2,058)	-	(2,058)
Capital Campaign assets released from restrictions	<u>86,658</u>	<u>(86,658)</u>	<u>-</u>
CHANGE IN NET ASSETS	(24,300)	(55,069)	(79,369)
NET ASSETS, beginning of year	<u>2,078,513</u>	<u>482,369</u>	<u>2,560,882</u>
NET ASSETS, end of year	<u>\$ 2,054,213</u>	<u>\$ 427,300</u>	<u>\$ 2,481,513</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2012

	Program Services						Supporting Services				Total
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Kids Krew	United Way Hoosier Corp	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries and wages	\$ 291,347	\$ 42,178	\$ 300,601	\$ 246,724	\$ -	\$ 4,507	\$ 885,357	\$ 99,078	\$ 131,038	\$ 230,116	\$ 1,115,473
Employee benefits	76,674	8,788	68,875	66,190	-	613	221,140	22,496	33,532	56,028	277,168
Total salaries and related benefits	368,021	50,966	369,476	312,914	-	5,120	1,106,497	121,574	164,570	286,144	1,392,641
Programs and activities	-	-	642,809	-	-	-	642,809	-	-	-	642,809
Contract labor	4,115	2,747	-	161,652	-	-	168,514	300	6,250	6,550	175,064
Events and other	333	-	423	-	-	-	756	759	49,703	50,462	51,218
Program materials and supplies	107	111	594	20,190	29	-	21,031	50	9,196	9,246	30,277
Office supplies and expendables	104	-	108	1,359	-	-	1,571	43,397	361	43,758	45,329
Travel and training	1,892	-	17,311	9,236	-	-	28,439	1,988	1,432	3,420	31,859
Facility maintenance	-	-	-	668	-	-	668	48,950	-	48,950	49,618
Insurance	1,756	146	1,443	1,428	-	-	4,773	3,467	629	4,096	8,869
Utilities	-	-	-	7,862	-	-	7,862	39,889	1,092	40,981	48,843
Advertising and promotion	-	-	-	2,274	-	-	2,274	3,995	11,297	15,292	17,566
Professional services and fees	683	-	72,420	10,350	-	-	83,453	108,809	12,860	121,669	205,122
Printing and publications	-	-	232	2,952	-	-	3,184	4,650	4,911	9,561	12,745
Postage	-	-	-	-	-	-	-	6,262	2,256	8,518	8,518
Depreciation	-	-	-	-	-	-	-	63,516	-	63,516	63,516
Interest	-	-	-	-	-	-	-	526	-	526	526
Telephone	-	-	-	-	-	-	-	8,682	-	8,682	8,682
Meetings/hospitality	-	-	-	-	-	-	-	1,636	1,000	2,636	2,636
Miscellaneous	-	-	20	2,400	-	-	2,420	(1,596)	64,524	62,928	65,348
Total direct program expenses	377,011	53,970	1,104,836	533,285	29	5,120	2,074,251	456,854	330,081	786,935	2,861,186
Less direct expenses of special events	-	-	-	-	-	-	-	-	(70,553)	(70,553)	(70,553)
TOTAL EXPENSES	\$ 377,011	\$ 53,970	\$ 1,104,836	\$ 533,285	\$ 29	\$ 5,120	\$ 2,074,251	\$ 456,854	\$ 259,528	\$ 716,382	\$ 2,790,633

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2011

	Program Services						Supporting Services				Total
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Kids Krew	Pulliam Career Development	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries and wages	\$ 285,791	\$ 42,407	\$ 174,735	\$ 240,144	\$ -	\$ 41,379	\$ 784,456	\$ 117,079	\$ 128,045	\$ 245,124	\$ 1,029,580
Employee benefits	59,795	6,116	39,286	55,456	-	9,006	169,659	46,162	26,136	72,298	241,957
Total salaries and related benefits	345,586	48,523	214,021	295,600	-	50,385	954,115	163,241	154,181	317,422	1,271,537
Programs and activities	-	-	690,696	11,369	2,506	1,938	706,509	3,846	163	4,009	710,518
Contract labor	-	-	-	135,835	-	1,969	137,804	1,455	-	1,455	139,259
Events and other	412	-	-	-	-	-	412	806	42,267	43,073	43,485
Program materials and supplies	-	-	105	-	396	-	501	-	4,682	4,682	5,183
Office supplies and expendables	399	-	226	914	-	298	1,837	28,069	1,017	29,086	30,923
Travel and training	1,584	226	5,349	5,848	-	840	13,847	5,510	5,619	11,129	24,976
Facility maintenance	-	-	-	-	-	-	-	61,576	75	61,651	61,651
Insurance	1,647	102	907	1,396	-	204	4,256	2,961	574	3,535	7,791
Utilities	-	-	-	12,100	-	2,728	14,828	30,953	-	30,953	45,781
Advertising and promotion	-	-	-	1,156	-	-	1,156	2,237	9,961	12,198	13,354
Professional services and fees	857	10	41,278	12,849	-	551	55,545	88,488	4,378	92,866	148,411
Printing and publications	805	-	192	1,821	-	-	2,818	5,042	4,234	9,276	12,094
Postage	-	-	-	36	-	-	36	4,703	1,488	6,191	6,227
Depreciation	-	-	-	-	-	-	-	96,645	-	96,645	96,645
Interest	-	-	-	-	-	-	-	25	-	25	25
Telephone	-	-	-	-	-	-	-	7,613	-	7,613	7,613
Meetings/hospitality	105	-	106	1,183	-	-	1,394	3,386	1,275	4,661	6,055
Personnel	-	-	-	-	-	-	-	3,800	-	3,800	3,800
Bad debt expense	-	-	-	-	-	-	-	37,390	-	37,390	37,390
Miscellaneous	-	-	20	900	-	-	920	8,528	49,721	58,249	59,169
Total direct program expenses	351,395	48,861	952,900	481,007	2,902	58,913	1,895,978	556,274	279,635	835,909	2,731,887
Less direct expenses of special events	-	-	-	-	-	-	-	-	(62,992)	(62,992)	(62,992)
TOTAL EXPENSES	\$ 351,395	\$ 48,861	\$ 952,900	\$ 481,007	\$ 2,902	\$ 58,913	\$ 1,895,978	\$ 556,274	\$ 216,643	\$ 772,917	\$ 2,668,895

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants, contributions, and fees	\$ 2,851,287	\$ 2,700,829
Interest received	1,342	87
Cash paid to vendors	(1,660,061)	(1,614,335)
Salaries and wages paid	(1,107,594)	(1,022,793)
Unrealized gain on investments	(1,755)	-
Interest paid	<u>(526)</u>	<u>(25)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>82,693</u>	 <u>63,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,929)	(9,155)
Purchases of certificates of deposit	<u>-</u>	<u>(250,000)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(7,929)</u>	 <u>(259,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	<u>(56,553)</u>	<u>(100,000)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(56,553)</u>	 <u>(100,000)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 18,211	 (295,392)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>303,376</u>	<u>598,768</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 321,587</u></u>	<u><u>\$ 303,376</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 46,081	\$ (79,369)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	63,516	96,645
Unrealized gain on investments	(1,755)	-
Provision for bad debt	-	80,000
Increase in accounts receivable	(54,638)	(31,602)
Increase in prepaid expenses	(6,184)	(1)
Increase (decrease) in accounts payable	27,794	(8,697)
Increase in accrued expenses	<u>7,879</u>	<u>6,787</u>
 NET CASH FROM OPERATING ACTIVITIES	 <u><u>\$ 82,693</u></u>	 <u><u>\$ 63,763</u></u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 financial statements of the Center have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (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, 2012 and 2011, the Center had \$395,330 and \$427,300 of temporary restricted net assets, respectively.

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, 2012 and 2011, the Center had no permanently restricted net asset.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Center considers all instruments purchased with a maturity of three months or less to be cash equivalents, except for cash held in long-term investment brokerage accounts awaiting reinvestment.

Investments - Investments are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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 \$63,516 and \$96,645 for the years ended December 31, 2012 and 2011, 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.

Non-cash, in-kind contributions are recorded at fair market value and recognized as revenue in the accounting period when they are received. The Center received \$61,586 and \$47,043 of in-kind contributions during 2012 and 2011, 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.

Volunteers provide program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC.

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:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ -	\$ 40,000
One to five years	<u>-</u>	<u>40,000</u>
Total pledges receivable	-	80,000
Allowance for doubtful pledges	<u>-</u>	<u>(80,000)</u>
Net pledges receivable	<u>\$ -</u>	<u>\$ -</u>

Functional Allocation of Expenses - 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 - The Center evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended December 31, 2012 and 2011.

Advertising - The Center incurred \$17,566 and \$13,354 in advertising expense for the years ended December 31, 2012 and 2011, respectively. These costs were expensed as incurred.

Income Taxes - 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 for income taxes has been reflected in the Center's financial statements.

The Center has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2009, 2010 and 2011 tax years. However, the Center is not currently under audit nor has the Center been contacted by any jurisdiction. Based on the evaluation of the Center's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2012 or 2011.

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 - LINE OF CREDIT

The Center maintains a \$100,000 line of credit to support short-term working capital needs, which expires on November 21, 2013. Interest is payable monthly and accrues at the bank's prime rate plus .5% (3.75% at December 31, 2012). Borrowings against the line of credit are secured by the assets of the Center. At December 31, 2012 and 2011, there was no outstanding balance.

NOTE 4 - INVESTMENTS

Investments consist of marketable securities, and certificate of deposits. Fair values and unrealized gains (losses) at December 31, 2012 and 2011 are summarized as follows:

	<u>December 31, 2012</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain(Loss)</u>
Marketable Securities	\$ 1,558	\$ 1,617	\$ 59
Certificate of Deposit	<u>250,000</u>	<u>251,755</u>	<u>1,755</u>
	<u>\$ 251,558</u>	<u>\$ 253,372</u>	<u>\$ 1,814</u>

	<u>December 31, 2011</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain(Loss)</u>
Marketable Securities	\$ -	\$ -	\$ -
Certificate of Deposit	<u>250,000</u>	<u>250,000</u>	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 79	\$ 87
Net realized and unrealized gains(losses)	<u>1,263</u>	<u>-</u>
Total investment return	<u>\$ 1,342</u>	<u>\$ 87</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair Value Measurements Disclosure Topic of FASB ASC establishes a fair value, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Fair Value Measurements - Inputs are quoted market prices available in active markets for identical assets at the measurement date. Assets in this category generally include stock investments held by the underlying mutual funds.

Level 2 Fair Value Measurements - Inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable. Assets in this category generally include bond investments held by the underlying mutual funds.

Level 3 Fair Value Measurement - Inputs are unobservable where there is little or no market activity that are significant to the fair value of the assets or liabilities.

The following table presents the fair value of measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy as of December 31, 2012 and 2011:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Market Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
December 31, 2012				
Marketable Securities	\$ 1,617	\$ 1,617	\$ -	\$ -
Certificate of Deposit	<u>251,755</u>	<u>251,755</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 253,372</u>	<u>\$ 253,372</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Market Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
December 31, 2011				
Marketable Securities	\$ -	\$ -	\$ -	\$ -
Certificate of Deposit	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - BONDS PAYABLE

Bonds payable as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</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 through January 2012, with a final payment due in March 2012. The bonds are secured by substantially all the Center's assets.	\$ -	\$ 56,553
Less current portion	<u>-</u>	<u>(56,553)</u>
Long term portion	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Capital Campaign	\$ 10	\$ 132,309
Client Assurance Fund	150,000	150,000
2012 Programs:		
Programs include Legal Services, Client Educations, Prevention Outreach and Testing, and Care Coordination	242,176	133,198
Transportation Programs - Angels for Wheels	92	92
Food/Nutrition Program	<u>3,052</u>	<u>11,701</u>
	<u>\$ 395,330</u>	<u>\$ 427,300</u>

The temporarily restricted net assets released from restrictions during 2012 were for Operations, Transportation Program, Prevention Outreach and Testing, Care Coordination, Food Nutrition and Capital Campaign.

NOTE 8 - OPERATING LEASES

The Center leases copiers under two operating leases which require monthly payments of \$663 and \$298 through March 2016 and December 2015. The Center leased a new postage meter in 2008 which require quarterly payments of \$182 through October 2013. Lease expense related to operating leases in 2012 and 2011 was \$12,260 and \$9,514, respectively. The following is a schedule by years of future minimum lease payments.

<u>Year</u>	<u>Amount</u>
2013	\$ 12,138
2014	11,532
2015	11,532
2016	<u>2,652</u>
	<u>\$ 37,854</u>

NOTE 9 - EMPLOYEE BENEFITS

On January 1, 2007, the Center adopted a 403(b) plan for employees who meet certain eligibility requirements. The plan permits eligible employees, through payroll deductions, to contribute up to \$16,500 annually; employees age 50 and over can contribute an additional contribution of \$5,500. 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 2012 and 2011.

NOTE 10 - FUTURE GRANT AUDITS

Under the terms of the Federal grants, periodic audits are required and certain costs may be challenged as to allow ability 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 11 - 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 \$73,332 and \$53,376 in excess of insured limits at December 31, 2012 and 2011, respectively.

During 2012 and 2011, the Center received 39% and 48%, respectively, of its total revenue from government agencies for two of its programs; Housing & Emergency Assistance and Care Coordination.

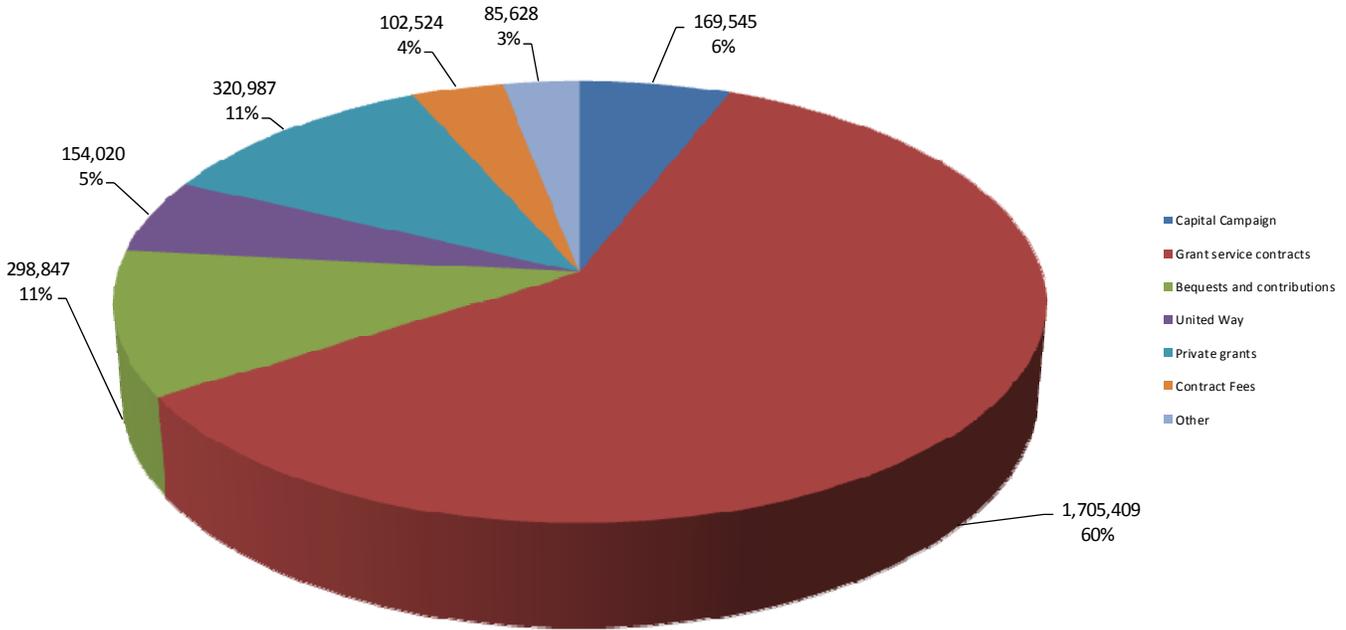
NOTE 12 - SUBSEQUENT EVENT

In preparing these financial statements, the Center has evaluated subsequent events and transactions for potential recognition or disclosure through March 21, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

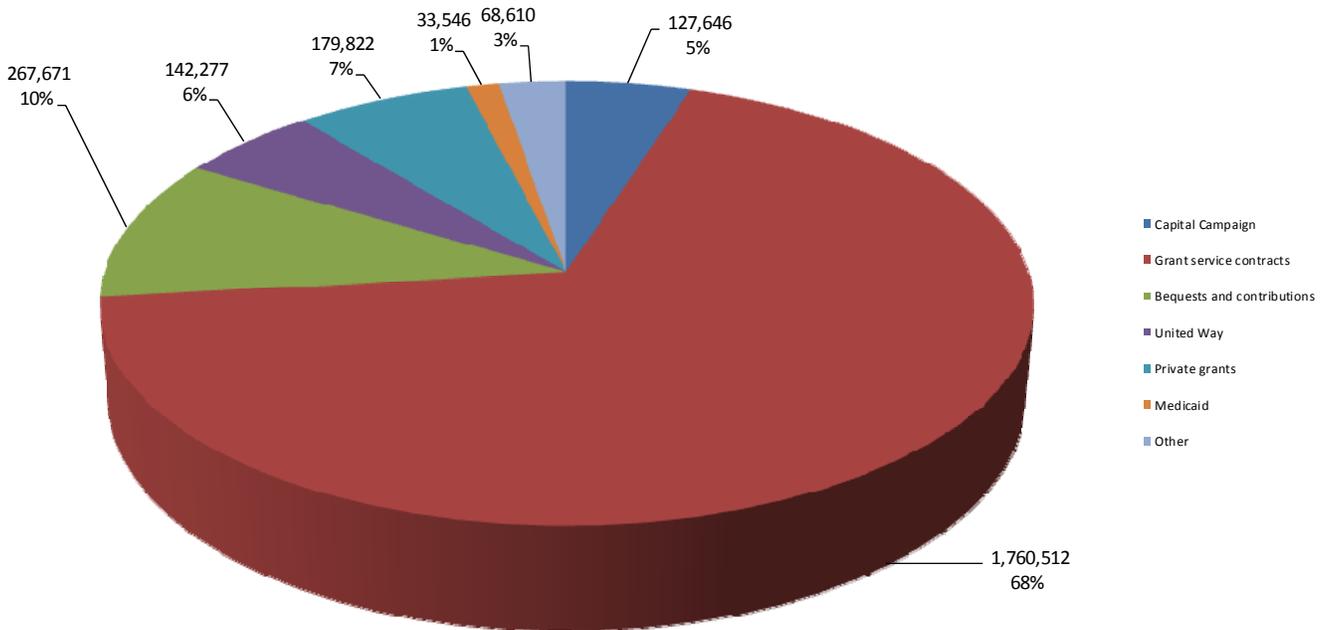
THE DAMIEN CENTER, INC.
REVENUE GRAPHS
DECEMBER 31, 2012 AND 2011

2012 Revenue



Total Revenue: \$2,836,960

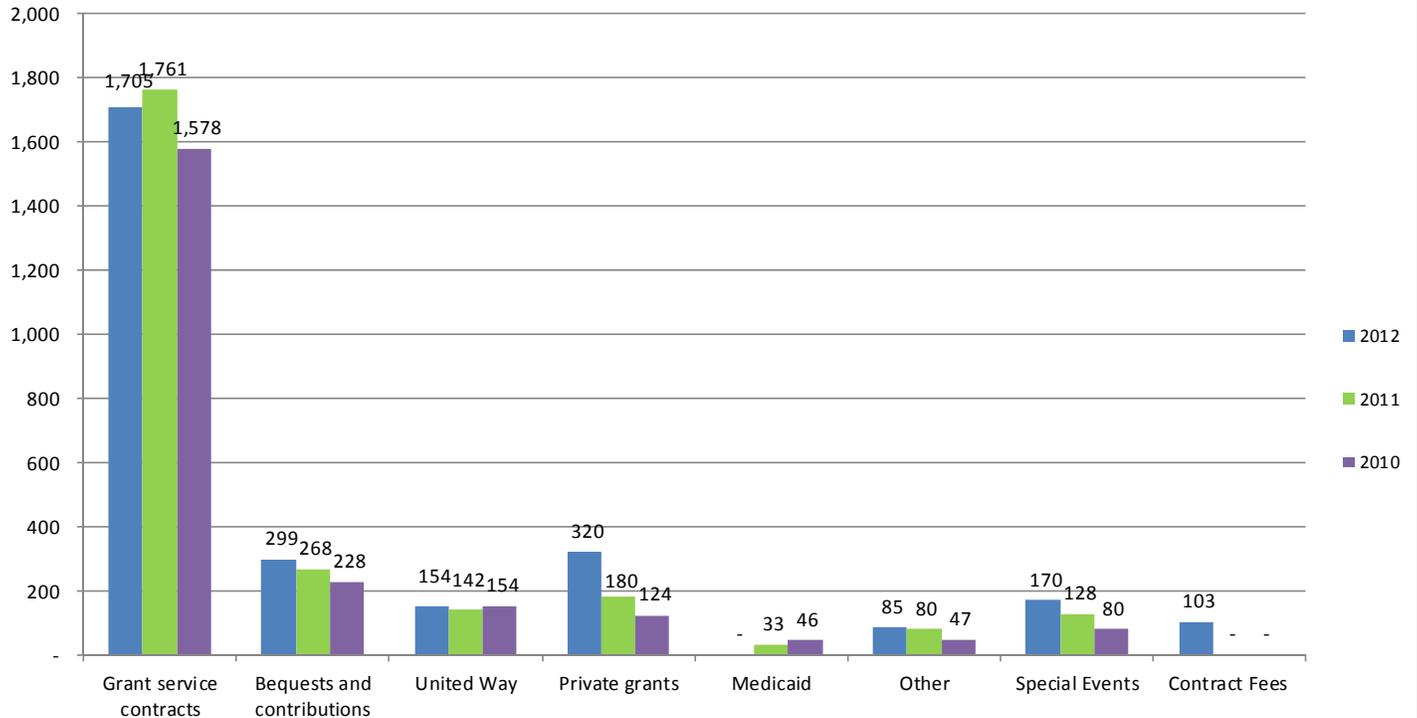
2011 Revenue



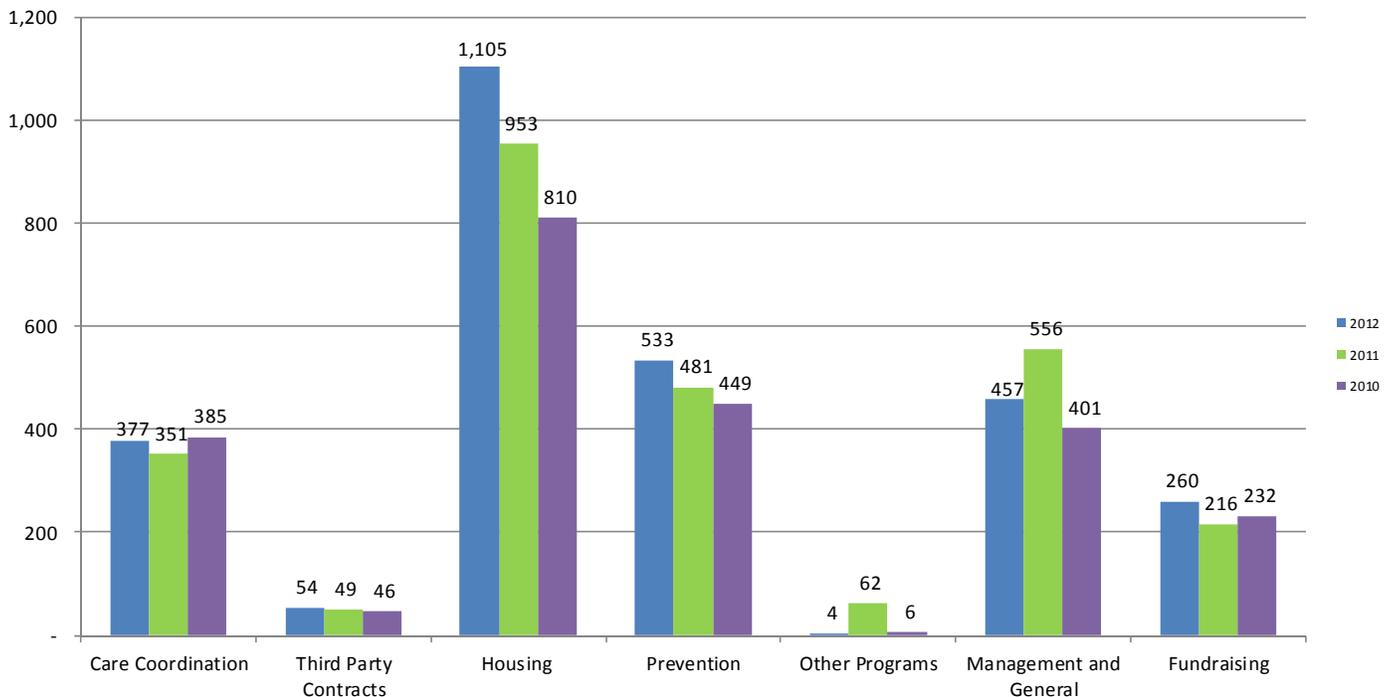
Total Revenue: \$2,580,084

THE DAMIEN CENTER, INC.
REVENUE AND EXPENSE GRAPHS
DECEMBER 31, 2012, 2011 AND 2010

Revenue
2012, 2011, and 2010



Expense
2012, 2011, and 2010



SINGLE AUDIT SECTION

THE DAMIEN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

<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		
Substance Abuse and Mental Health Services Administration (SAMSHA)	93.243	\$ <u>352,801</u>
Pass-Through Programs from Indiana State Department of Health:		
Indiana State Department of Health, State AIDS Special Project 670-7	93.006	52,848
Indiana State Department of Health, State AIDS Care Coordination	93.667	367,598
Indiana State Department of Health, Community Planning, and State Aids Prevention Management	93.940	<u>84,541</u>
Total Pass-Through Programs from Indiana State Department of Health		<u>504,987</u>
Pass-Through Programs from Marion County Health Department:		
MCHD, Part A Emergency Relief	93.914	281,486
MCHD, Early Intervention Title IIIb	93.918	<u>46,140</u>
Total Pass-Through Programs from Marion County Health Department		<u>327,626</u>
Total U.S. Department of Health and Human Services		<u>1,185,414</u>
U.S. Department of Housing and Urban Development		
Pass-Through Programs from Department of Metropolitan Development - City of Indianapolis:		
Housing Opportunities for People With AIDS (Direct Emergency Financial Assistance included)	14.241	<u>524,761</u>
Supportive Housing Program	14.235	<u>85,028</u>
Total Pass-Through Programs from Department of Metropolitan Development - City of Indianapolis		<u>609,789</u>
Total U.S. Department of Housing and Urban Development		<u>609,789</u>
Total Expenditures of Federal Awards		<u>\$ 1,795,203</u>

Note 1: The above information is prepared on the accrual basis of accounting and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2: There were no amounts provided to subrecipients; there was no non-cash assistance; there was no federal insurance in effect; and there were no loans or loan guarantees with continuing compliance requirements.

See accompanying independent auditor's report.
See accompanying notes to the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS
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.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Damien Center, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Damien Center, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Damien Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Damien Center, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sikich, LLP". The signature is written in a cursive, slightly slanted style.

Sikich LLP

Indianapolis, Indiana
March 21, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited The Damien Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Damien Center, Inc.'s major federal programs for the year ended December 31, 2012. The Damien Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Damien Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits 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 on compliance for each major federal program. However, our audit does not provide a legal determination of The Damien Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Damien Center, Inc. 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, 2012.

Report on Internal Control Over Compliance

Management of The Damien Center, Inc. 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 Damien Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Sikich LLP

Indianapolis, Indiana
March 21, 2013

THE DAMIEN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I – SUMMARY OF AUDITOR’S 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**
14.235 Supportive Housing Program
- 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 for each major program; report on internal control over compliance; and report on the schedule of expenditures of federal awards required by OMB Circular A-133.