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June 18, 2009

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

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, PC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS



THE DAMIEN CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Damien Center, Inc., a non-profit organization, as of December 31, 2007, and the related statements 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, 2006, were audited by other auditors whose report dated April 3, 2007, 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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of The Damien Center, Inc., as of December 31, 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 14, 2008, on our consideration of The Damien Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Damien Center, Inc. taken as a whole. The accompanying supplementary information on pages 11 through 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 Organizations*, and is also not a required part of the financial statements of The Damien Center, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 14, 2008

Dunbar, Cook & Shepard, P.C.

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 665,167	\$ 627,993
Grants and other receivables	326,196	268,104
Current portion of pledges receivable	241,859	278,091
Medicaid receivable	7,764	-
Prepaid expenses	<u>11,971</u>	<u>10,411</u>
TOTAL CURRENT ASSETS	1,252,957	1,184,599
PROPERTY AND EQUIPMENT		
Land	10,500	10,500
Building	339,500	339,500
Building improvements	1,581,768	1,571,861
Furnishings and equipment	268,144	267,862
Technology	106,327	106,327
Less accumulated depreciation	<u>(216,345)</u>	<u>(123,808)</u>
TOTAL PROPERTY AND EQUIPMENT	2,089,894	2,172,242
OTHER ASSETS		
Pledges receivable, net of current portion	<u>298,068</u>	<u>355,290</u>
TOTAL ASSETS	<u>\$ 3,640,919</u>	<u>\$ 3,712,131</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 100,000	\$ 100,000
Accounts payable, accrued payroll, and related expenses	<u>25,146</u>	<u>38,250</u>
TOTAL CURRENT LIABILITIES	125,146	138,250
LONG TERM DEBT		
Bonds payable, net of current portion	<u>706,553</u>	<u>806,553</u>
TOTAL LIABILITIES	831,699	944,803
NET ASSETS		
Unrestricted	1,836,164	2,079,919
Temporarily restricted	723,056	437,409
Permanently restricted	<u>250,000</u>	<u>250,000</u>
TOTAL NET ASSETS	<u>2,809,220</u>	<u>2,767,328</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,640,919</u>	<u>\$ 3,712,131</u>

THE DAMIEN CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2007, With Comparative Totals for 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007</u>	<u>2006</u>
REVENUE AND SUPPORT					
Special events	\$ 410,730	\$ -	\$ -	\$ 410,730	\$ 239,469
Less direct expenses of special events	<u>311,099</u>	<u>-</u>	<u>-</u>	<u>311,099</u>	<u>124,457</u>
Net special events	99,631	-	-	99,631	115,012
Grant service contracts	1,559,513	-	-	1,559,513	1,416,318
Bequests and contributions	153,417	59,504	-	212,921	213,364
United Way of Central Indiana, Inc.	119,754	-	-	119,754	119,531
Allocation and donor designated	-	53,426	-	53,426	13,111
HIV Testing	-	50,881	-	50,881	50,881
Substance abuse	-	122,000	-	122,000	43,750
Private grants	138,750	-	-	138,750	67,416
Medicaid	86,798	-	-	86,798	-
In-kind contributions	50,698	-	-	50,698	43,143
Investment income	6,756	5,725	-	12,481	8,589
Miscellaneous income	8,706	-	-	8,706	5,118
Net assets released from restrictions	<u>133,395</u>	<u>(133,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>2,357,418</u>	<u>158,141</u>	<u>-</u>	<u>2,515,559</u>	<u>2,096,233</u>
EXPENSES					
Program services	2,240,829	-	-	2,240,829	2,002,329
Supporting services:					
Management and general	141,333	-	-	141,333	124,888
Fundraising	<u>244,016</u>	<u>-</u>	<u>-</u>	<u>244,016</u>	<u>209,888</u>
TOTAL EXPENSES	<u>2,626,178</u>	<u>-</u>	<u>-</u>	<u>2,626,178</u>	<u>2,337,105</u>
CHANGES IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>(268,760)</u>	<u>158,141</u>	<u>-</u>	<u>(110,619)</u>	<u>(240,872)</u>
CAPITAL CAMPAIGN					
Contributions	-	210,733	-	210,733	1,519,108
Direct expenses	<u>(58,222)</u>	<u>-</u>	<u>-</u>	<u>(58,222)</u>	<u>(155,130)</u>
Capital Campaign assets released from restrictions	<u>83,227</u>	<u>(83,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	<u>(243,755)</u>	<u>285,647</u>	<u>-</u>	<u>41,892</u>	<u>1,123,106</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,079,919</u>	<u>437,409</u>	<u>250,000</u>	<u>2,767,328</u>	<u>1,644,222</u>
NET ASSETS, END OF YEAR	<u>\$ 1,836,164</u>	<u>\$ 723,056</u>	<u>\$ 250,000</u>	<u>\$ 2,809,220</u>	<u>\$ 2,767,328</u>

THE DAMIEN CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007, With Comparative Totals for 2006

	Program Services						Supporting Services			Total 2007	Total 2006
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Other Programs	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Salaries and wages	\$ 492,860	\$ 71,383	\$ 74,195	\$ 146,449	\$ 45,500	\$ 830,387	\$ 210,877	\$ 131,048	\$ 341,925	\$ 1,172,312	\$ 1,108,026
Employee benefits	105,125	10,723	16,516	35,207	7,624	175,195	53,107	19,685	72,792	247,987	229,121
Total salaries and related benefits	597,985	82,106	90,711	181,656	53,124	1,005,582	263,984	150,733	414,717	1,420,299	1,337,147
Programs and activities	-	-	618,057	-	-	618,057	-	-	-	618,057	538,545
Contract labor	500	-	-	4,100	-	4,600	6,978	-	6,978	11,578	16,244
Events and other	-	2,400	1,747	1,320	-	5,467	566	313,389	313,955	319,422	142,491
Program materials and supplies	6,660	-	1,849	19,335	-	27,844	-	-	-	27,844	23,225
Office supplies and expendables	2,219	1,381	852	97	-	4,549	14,456	107	14,563	19,112	24,755
Travel and training	12,263	17,966	1,216	961	475	32,881	8,310	-	8,310	41,191	43,559
Facility maintenance	-	-	544	-	-	544	97,513	-	97,513	98,057	60,718
Insurance	-	-	-	-	-	-	23,879	-	23,879	23,879	18,873
Utilities	-	-	-	-	-	-	22,529	-	22,529	22,529	24,464
Advertising and promotion	-	-	-	1,846	-	1,846	1,195	4,602	5,797	7,643	13,856
Professional services and fees	-	-	-	1,647	-	1,647	82,378	8,025	90,403	92,050	56,061
Printing and publications	179	14,467	273	-	-	14,919	5,676	2,814	8,490	23,409	12,948
Postage	-	-	16	-	250	266	6,701	1,339	8,040	8,306	7,781
Depreciation	49,699	-	6,971	15,810	3,308	75,788	20,614	10,953	31,567	107,355	73,155
Interest	-	-	-	-	-	-	-	-	-	-	4,649
Rent	-	-	-	-	-	-	-	-	-	-	10,000
Telephone	-	-	-	-	-	-	9,374	-	9,374	9,374	11,501
Meetings/hospitality	316	14,976	634	1,086	1,011	18,023	2,786	2,037	4,823	22,846	15,540
Personnel	353	-	-	98	539	990	5,398	62	5,460	6,450	3,085
Bad debt expense	51	-	1,014	-	-	1,065	-	-	-	1,065	15,654
Miscellaneous	1,192	-	34,672	686	580	37,130	6,885	12,796	19,681	56,811	7,311
Total direct program expenses	671,417	133,296	758,556	228,642	59,287	1,851,198	579,222	506,857	1,086,079	2,937,277	2,461,562
Less direct expenses of special events	-	-	-	-	-	-	-	(311,099)	(311,099)	(311,099)	(124,457)
Allocated expenses	226,065	45,083	31,701	71,754	15,028	389,631	(437,889)	48,258	(389,631)	-	-
	\$ 897,482	\$ 178,379	\$ 790,257	\$ 300,396	\$ 74,315	\$ 2,240,829	\$ 141,333	\$ 244,016	\$ 385,349	\$ 2,626,178	\$ 2,337,105

THE DAMIEN CENTER, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions, and fees	\$ 2,840,710	\$ 2,916,445
Interest received	12,481	8,589
Cash paid to vendors	(1,672,948)	(1,543,635)
Salaries and wages paid	(1,170,573)	(1,111,178)
Interest paid	-	(4,649)
	<u>9,670</u>	<u>265,572</u>
NET CASH FROM OPERATING ACTIVITIES	9,670	265,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(25,007)</u>	<u>(1,781,126)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions, net of direct expenses	152,511	1,373,246
Repayment of long-term debt	(100,000)	(279,450)
Proceeds from bond issuance	-	906,553
Net borrowings (payments) on line of credit	-	(47,848)
	<u>52,511</u>	<u>1,952,501</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	52,511	1,952,501
NET INCREASE IN CASH	37,174	436,947
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>627,993</u>	<u>191,046</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 665,167</u>	<u>\$ 627,993</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM (USED IN) OPERATING ACTIVITIES		
Changes in net assets	\$ 41,892	\$ 1,123,106
Adjustments to reconcile changes in net assets to net cash from (used in) operating activities:		
Depreciation	107,355	73,155
Loss on sales of assets	-	877
Capital campaign contributions, net of direct expenses	(152,511)	(1,363,978)
Decrease in accounts receivable	27,598	592,357
Increase in prepaid expenses	(1,560)	(570)
Decrease in accounts payable	(20,596)	(152,641)
Increase (decrease) in accrued payroll and related taxes	1,739	(3,152)
Increase (decrease) in grants payable	5,753	(3,582)
	<u>\$ 9,670</u>	<u>\$ 265,572</u>
NET CASH FROM OPERATING ACTIVITIES	\$ 9,670	\$ 265,572
NONCASH TRANSACTIONS		
In-kind donations	<u>\$ 301,592</u>	<u>\$ 107,143</u>

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

NOTE A – ORGANIZATION AND PRESENTATION

DESCRIPTION OF PROGRAM AND SERVICES - The Damien Center, Inc. (the Center) was incorporated on April 1, 1987, under the laws of the State of Indiana and commenced operations in June 1987. The Center provides and coordinates services for persons living with or affected by HIV and AIDS in the Indianapolis community and actively advocates for a just and compassionate response to their needs. In so doing, the Center serves as a comprehensive center for the education, counseling, and support of HIV and AIDS infected individuals (and their families and friends) within the Indianapolis community. The Center's primary sources of revenue and support are purchase-of-service contracts with the Federal government and the State of Indiana, and private contributors.

BASIS OF ACCOUNTING - The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These financial statements have been prepared on the accrual basis of accounting.

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2007. At December 31, 2007 and 2006, the Center's cash accounts exceeded federally insured limits by \$520,354 and \$196,452, respectively.

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

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

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

NOTE B - CONTINUED

Permanently restricted net assets include assets of the Center for which the donor has stipulated that the contribution remain in perpetuity. Donor imposed restrictions limiting the use of assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

CONTRIBUTIONS AND PLEDGES - Contributions are recognized when the donor makes an unconditional promise to give to the Center and are recorded at their fair values as revenues and assets in that same period. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

Amounts due in:

Less than one year	\$ 241,859
One to five years	<u>325,080</u>
Total pledges receivable	566,939
Less discounts to net present value (3.45%)	<u>(27,012)</u>
Net pledges receivable at December 31, 2007	<u>\$ 539,927</u>

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

ADVERTISING - The Center incurred \$7,643 and \$13,856 in advertising expense for the years ended December 31, 2007 and 2006, respectively. These costs were expensed as incurred.

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

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

NOTE C - BONDS PAYABLE

Bonds payable as of December 31, 2007 is as follows:

	<u>2007</u>	<u>2006</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 (5.5825% as of December 31, 2007) through January 2012, with a final balloon payment of \$406,553 due in March 2012. The bonds are secured by substantially all the Center's assets.	\$ 806,553	\$ 906,553
Less current portion	<u>(100,000)</u>	<u>(100,000)</u>
Long-term portion	<u>\$ 706,553</u>	<u>\$ 806,553</u>

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

2008	\$ 100,000
2009	100,000
2010	100,000
2011	100,000
2012	<u>406,553</u>
	<u>\$ 806,553</u>

NOTE D - LINE OF CREDIT

The Center maintains a \$100,000 line of credit to support short-term working capital needs, which expires on November 21, 2008. Interest is payable monthly and accrues at the bank's prime rate. Borrowings against the line of credit are secured by the assets of the Center. At December 31, 2007 and 2006, there were no outstanding borrowings against the line of credit.

NOTE E - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at December 31, 2007 for the following purposes:

Capital Campaign	\$ 522,365
2008 Operations	105,399
2008 Programs:	74,636
Programs include Legal Services, Client Educations, Prevention Outreach and Testing, and Care Coordination. Also included is \$5,725 in Client Assurance Fund Interest.	
Transportation Program – Angels for Wheels	403
Food/Nutrition Program	<u>20,253</u>
	<u>\$ 723,056</u>

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

NOTE E - CONTINUED

The temporarily restricted net assets released from restrictions during 2007 were for Operations, Transportation Program, Prevention Outreach and Testing, and Care Coordination professional development. During 2006, the Center received a capital campaign donation, the purpose of which is to establish a permanently restricted Client Assurance Fund. The fund is to be an on-going source of income for client services to help secure the future of the Center. The Center may borrow from the fund with Board approval, but the fund must be replenished as soon as additional monies become available. Income from the fund is to be temporarily restricted for programs and services. Permanently restricted net assets at December 31, 2007 are \$250,000.

NOTE F - OPERATING LEASES

The Center leases copiers under two operating leases which require monthly payments of \$642 through April 2009 and \$492 through May 2011, respectively. Lease expense related to these leases in 2007 and 2006 was \$18,838 and \$14,663, respectively. The following is a schedule by years of future minimum lease payments:

2008	\$ 13,608
2009	8,472
2010	5,904
2011	<u>2,460</u>
	<u>\$ 30,444</u>

NOTE G - IN-KIND DONATIONS

The Center received \$301,592 and \$107,143 of in-kind contributions during 2007 and 2006, respectively. These contributions were for special events, the food pantry, and professional services. In-kind donations have been treated as non-cash transactions for the purpose of the statement of cash flows.

NOTE H - EMPLOYEE BENEFITS

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

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

NOTE I - FUTURE GRANT AUDITS

Under the terms of the Federal grants, periodic audits are required and certain costs may be challenged as to allowability under the terms of the grants. Such audits could lead to reimbursements to the Department of Health and Human Services, Department of Housing and Urban Development, and the Centers for Disease Control and Prevention.

THE DAMIEN CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006

NOTE J - RELATED PARTY TRANSACTIONS

The Center paid \$14,451 for framing of art work for its new building to a framing company whose owner serves on the Center's Board of Directors. The Center paid \$4,700 in legal services to a law firm which has a partner who serves as Vice President of the Center's Board of Directors. The Center engaged in a consulting contract for \$6,500; the owner of the consulting firm 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 2007. The estimated value of these services is \$16,196. These services have been reflected as an in-kind contribution on the statement of activities.

NOTE K - CONCENTRATIONS

During 2007, the Center received 71 percent of its capital campaign revenue from one donor totaling \$150,000. It also received 18 percent and 14 percent of its total revenue from government agencies for two of its programs.

NOTE L - CAPITAL CAMPAIGN

During 2005, the Center initiated a capital campaign to purchase and renovate a new location. As of December 31, 2006, the renovation of the building was complete, and the Center was operating at the new location. As of December 31, 2007, approximately 89% of the capital campaign goal of \$3.7 million had been raised.

NOTE M - SUBSEQUENT EVENT

During the first quarter of 2008, the Center made principal payments totaling \$300,000 on the bonds payable. At the date of this report, total bonds payable was \$506,553.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

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

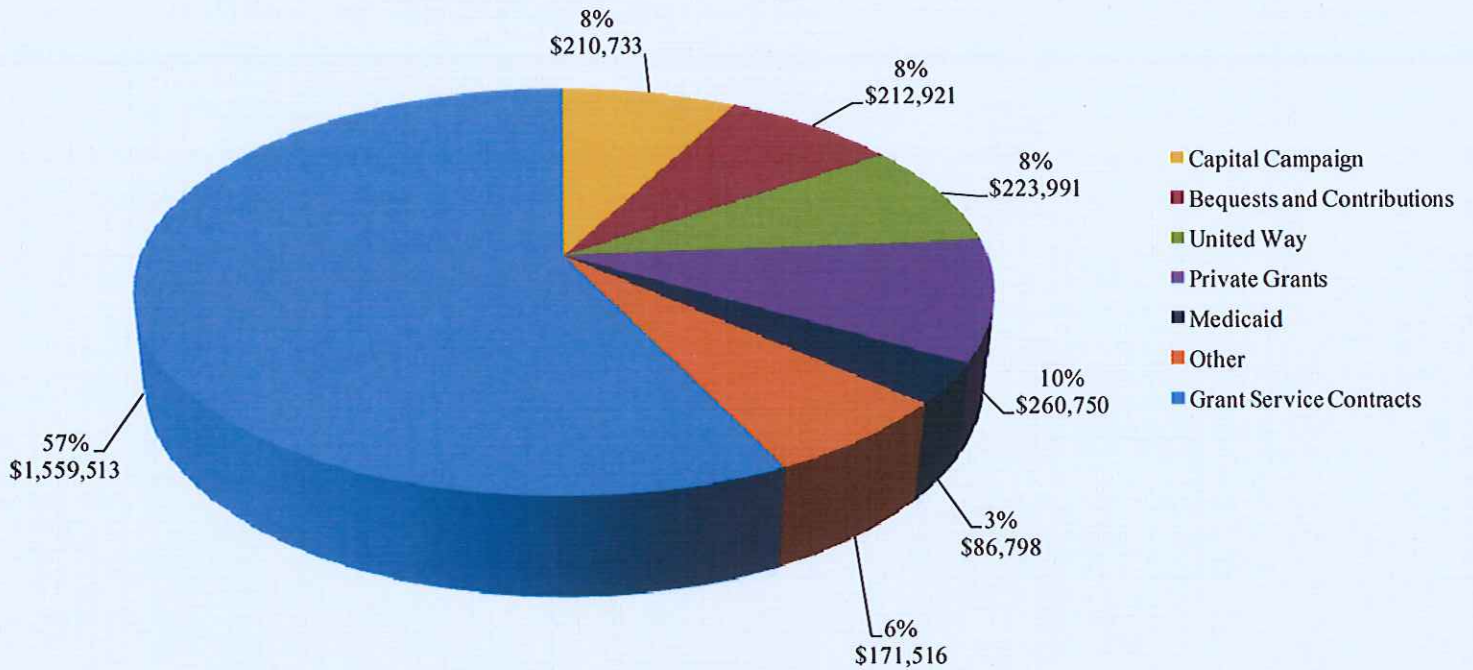
March 14, 2008

Dunbar, Cook & Shepard, P.C.

**THE DAMIEN CENTER, INC.
REVENUE GRAPHS
2007 and 2006**

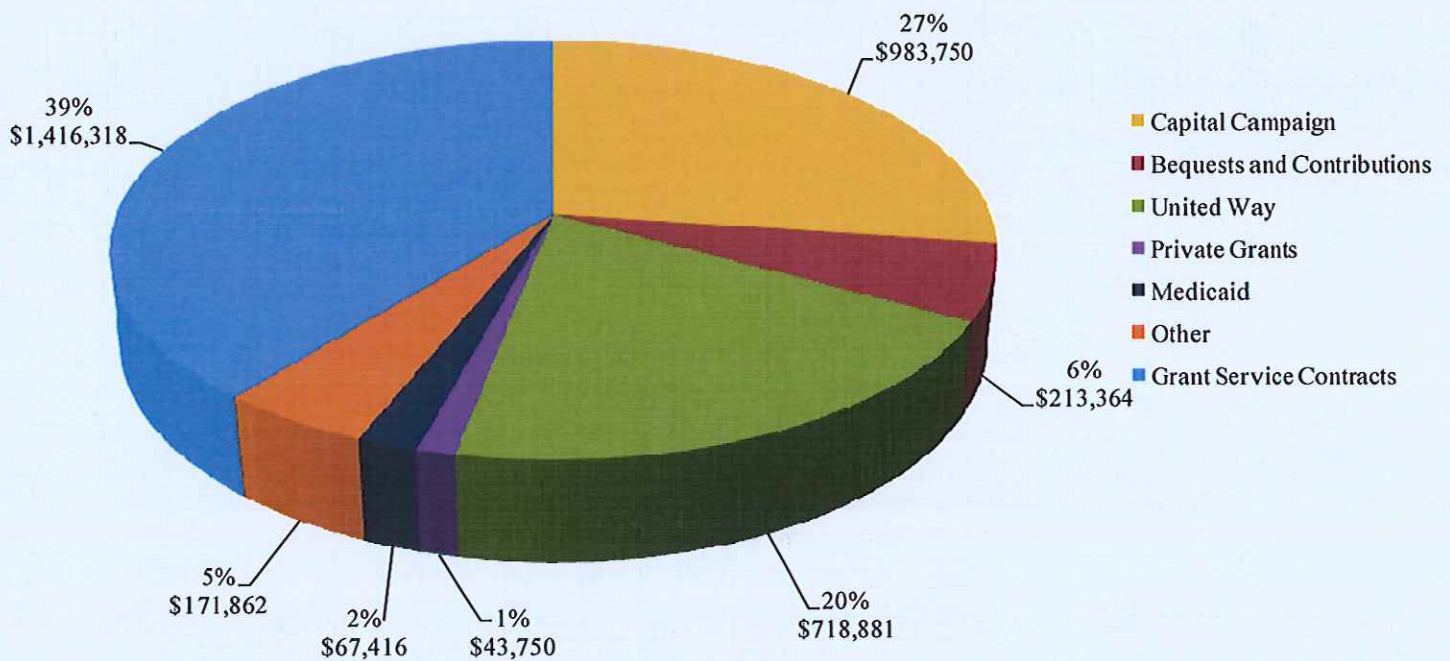
2007

Revenue

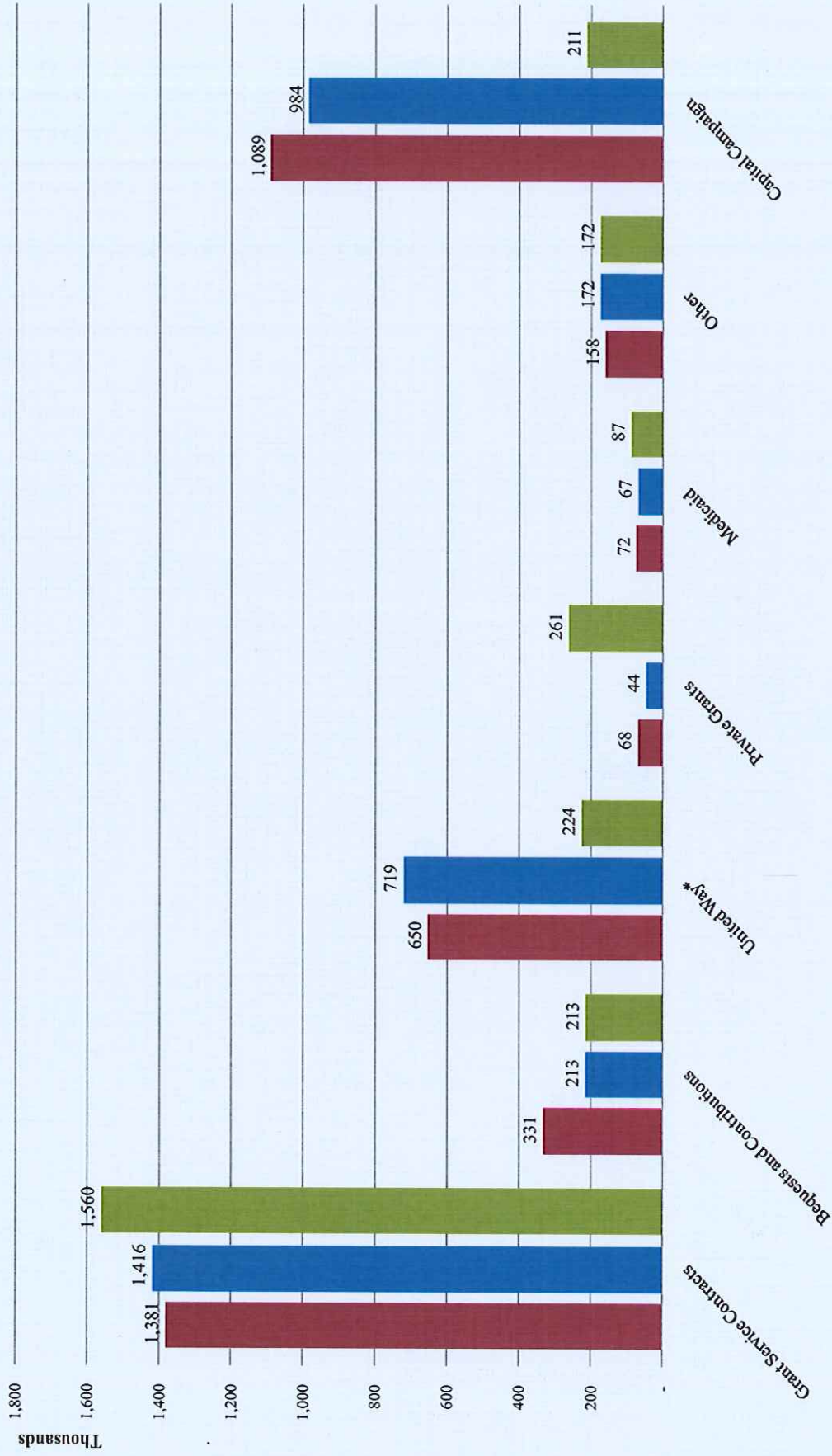


2006

Revenue



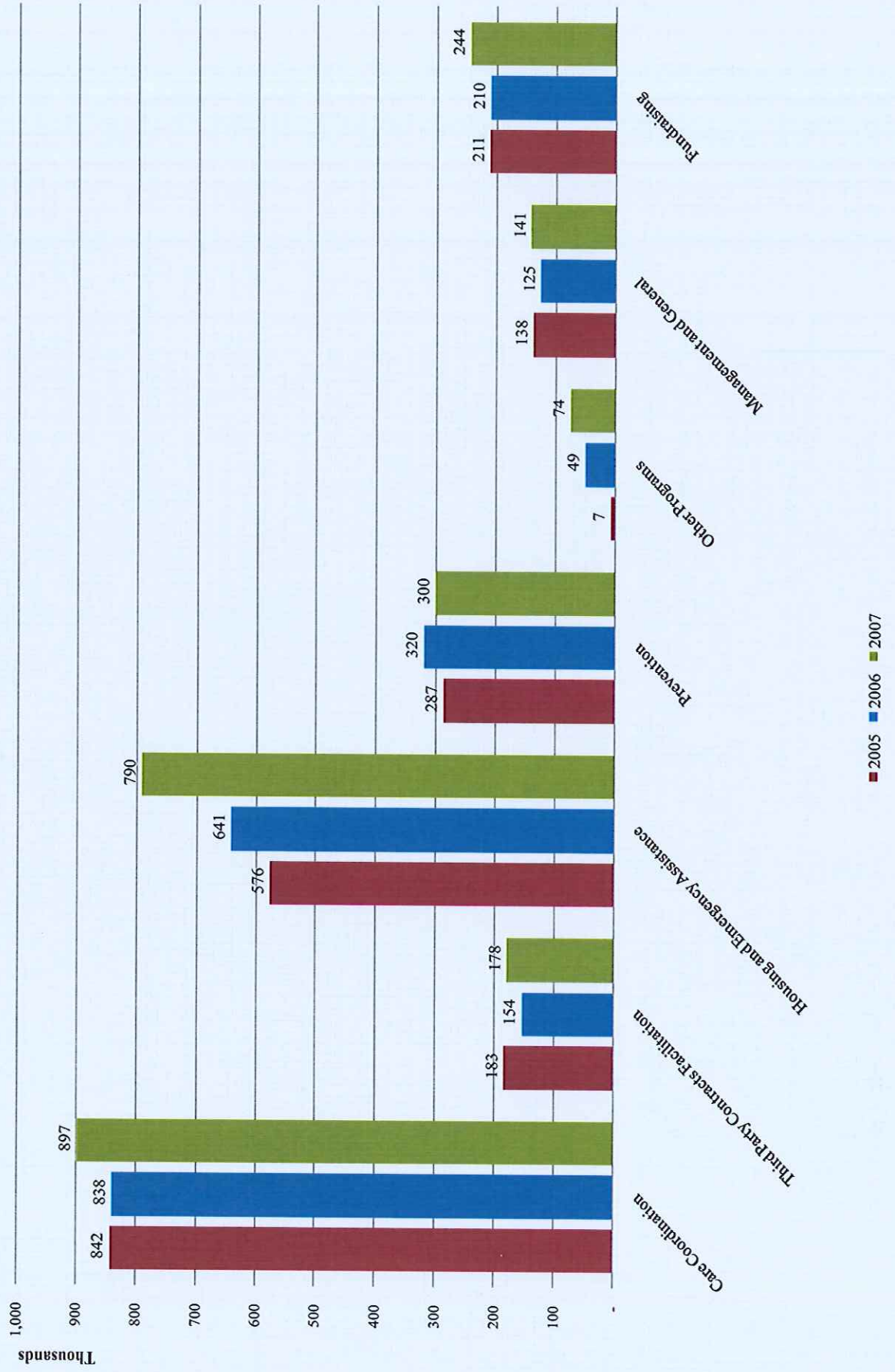
**THE DAMIEN CENTER, INC.
REVENUE GRAPH
2005, 2006, and 2007**



*The 2005 and 2006 amounts for United Way include revenue totaling \$464,642 and \$535,358 for the Capital Campaign.

■ 2005 ■ 2006 ■ 2007

**THE DAMIEN CENTER, INC.
EXPENSE GRAPH
2005, 2006, and 2007**



SINGLE AUDIT SECTION

THE DAMIEN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

<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	\$ 71,769
Indiana State Department of Health, State AIDS Care Coordination	93.667	491,846
MCHD, Early Intervention Title IIIb	93.918	38,450
Indiana State Department of Health, Community Planning, and State AIDS Prevention Management	93.940	231,510
MCHD, SOS Program Grant	93.977	10,000
MCHD, Part A Emergency Relief	93.914	62,100
U.S. Department of Housing and Urban Development		
Housing Opportunities for People With AIDS (Direct Emergency Financial Assistance included)	14.241	603,764
Centers for Disease Control and Prevention		
Indiana State Department of Health, Medical Monitoring Project	93.944	<u>1,180</u>
		<u>\$ 1,510,619</u>

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

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

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

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements, that is more than inconsequential, will not be prevented or detected by the Organization's internal control.

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of The Damien Center, Inc. in a separate letter dated March 14, 2008.

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.

March 14, 2008

Dunbar, Cook & Shepard, P.C.

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

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

Compliance

We have audited the compliance of The Damien Center, Inc., with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. 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, 2007.

Internal Control Over Compliance

The management of The Damien Center, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Damien Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Damien Center, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

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

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

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

March 14, 2008

Dunbar, Cook & Shepard, P.C.

THE DAMIEN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007 and 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Government Auditing Standards

Internal control over financial reporting:

• Material weakness(es) identified? yes no

• Significant deficiency(s) identified that are not considered to be material weaknesses? yes no

Compliance:

• Noncompliance material to financial statements noted? yes no

OMB Circular A-133

Internal control over major programs:

• Material weakness(es) identified? yes no

• Reportable condition(s) identified that are not considered to be material weaknesses? yes no

Compliance with requirements applicable to each major program:

• Identification of major programs: **93.667 State AIDS Care Coordination**

• Dollar threshold used to distinguish between type A and type B programs: **\$ 300,000**

• Auditee qualified as low-risk auditee? yes no

• Type of auditors' report issued on compliance for major programs: **unqualified.**

• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

- *None*

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

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