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STATE OF INDIANA

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February 1, 2010

Board of Directors
Raphael Health Center, Inc.
401 E. 34th St.
Indianapolis, IN 46205

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

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

STATE BOARD OF ACCOUNTS

RAPHAEL HEALTH CENTER, INC.
AND RAPHAEL REALTY, INC.

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

RAPHAEL HEALTH CENTER, INC.
AND RAPHAEL REALTY, INC.

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Gauthier & Kimmerling, LLC
accountants & advisors
233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

Independent Auditors' Report

Board of Directors
Raphael Health Center, Inc.
and Raphael Realty, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of Raphael Health Center, Inc. and Raphael Realty, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of Raphael Health Center, Inc. and Raphael Realty, Inc.'s management. Our responsibility is to express an opinion on these consolidated 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 audits 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 Raphael Health Center, Inc. and Raphael Realty, Inc.'s management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raphael Health Center, Inc. and Raphael Realty, Inc. as of December 31, 2008 and 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 May 15, 2009, on our consideration of Raphael Health Center, Inc. and Raphael Realty, 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 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 audits.

Gauthier & Kimmerling, LLC

May 15, 2009

RAPHAEL HEALTH CENTER, INC. AND RAPHAEL REALTY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

ASSETS	2008	2007
Current Assets:		
Cash and cash equivalents	$ 371,109	$ 495,593
Patient accounts receivable, net of allowance for doubtful accounts of $103,000 in 2008 and $158,682 in 2007	205,655	334,235
Grants receivable	65,519	-
Third party settlement receivable	420,416	100,000
Supplies	11,921	14,042
Prepaid expenses	51,726	14,019
Total current assets	1,126,346	957,889
Assets limited as to use:		
Internally designated for capital acquisition	18,388	13,243
Property and Equipment:		
Construction in progress	-	5,636
Land and building	2,755,670	2,637,206
Equipment and software	902,570	731,904
Less: accumulated depreciation	(973,724)	(774,184)
Property and equipment, net	2,684,516	2,600,562
Total Assets	$ 3,829,250	$ 3,571,694
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 75,525	$ 24,355
Accrued payroll and related liabilities	105,633	112,493
Reserve for Medicaid settlement	-	48,568
Total Current Liabilities	181,158	185,416
Construction loan payable	249,946	549,946
Total Liabilities	431,104	735,362
Unrestricted Net Assets	3,398,146	2,836,332
Total Liabilities and Net Assets	$ 3,829,250	$ 3,571,694

The accompanying notes are an integral part of the financial statements.

RAPHAEL HEALTH CENTER, INC. AND RAPHAEL REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2008			2007		
REVENUE AND SUPPORT	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Patient service revenue	$ 2,589,509	$ -	$ 2,589,509	$ 2,303,518	$ -	$ 2,303,518
Less: discounts and allowances	(1,107,344)	-	(1,107,344)	(921,577)	-	(921,577)
Net patient service revenue	1,482,165	-	1,482,165	1,381,941	-	1,381,941
Contributions	71,350	-	71,350	145,059	-	145,059
Contributions in-kind	95,551	-	95,551	171,776	-	171,776
Grants	1,728,822	-	1,728,822	1,241,296	-	1,241,296
Other income	3,211	-	3,211	2,786	-	2,786
Interest income	7,812	-	7,812	19,893	-	19,893
Revenue and support	3,388,911	-	3,388,911	2,962,751	-	2,962,751
Net assets released from restriction	-	-	-	-	-	-
Total Revenue and Support	3,388,911	-	3,388,911	2,962,751	-	2,962,751
EXPENSES						
Patient services	2,244,726	-	2,244,726	2,390,651	-	2,390,651
Management	582,371	-	582,371	554,130	-	554,130
Total Expenses	2,827,097	-	2,827,097	2,944,781	-	2,944,781
Excess of revenues over expenses and change in net assets	561,814	-	561,814	17,970	-	17,970
Net assets - beginning of year	2,836,332	-	2,836,332	2,818,362	-	2,818,362
Net assets - end of year	$ 3,398,146	$ -	$ 3,398,146	$ 2,836,332	$ -	$ 2,836,332

The accompanying notes are an integral part of the financial statements.

RAPHAEL HEALTH CENTER, INC. AND RAPHAEL REALTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses and change in net assets	$ 561,814	$ 17,970
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation	199,541	198,439
Loss on disposal of software	-	6,375
Decrease (increase) in operating assets:		
Accounts receivable	128,580	(167,983)
Grants receivable	(65,519)	37,650
Third party settlement receivable	(320,416)	(100,000)
Supplies	2,121	-
Prepaid expenses	(37,707)	(14,019)
Increase (decrease) in operating liabilities:		
Accounts payable	51,169	17,980
Accrued payroll and related liabilities	(6,860)	26,065
Reserve for Medicaid settlement	(48,568)	-
Net Cash Provided by (Used in) Operating Activities	464,155	22,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(283,494)	(21,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on construction loan	(300,000)	(150,000)
Net change in cash	(119,339)	(148,909)
Cash - beginning of year	508,836	657,745
Cash - end of year	$ 389,497	$ 508,836
RECONCILIATION OF CASH TO THE BALANCE SHEETS		
Cash and cash equivalents	$ 371,109	$ 495,593
Internally designated cash	18,388	13,243
Total Cash and Cash Equivalents	$ 389,497	$ 508,836
Cash paid for interest	$ 27,689	$ 48,576

The accompanying notes are an integral part of the financial statements.

1. NATURE OF THE ORGANIZATION

Raphael Health Center, Inc. (the Center) was founded in 1995. Its mission is to provide community-based, full-service health care for all people regardless of religious affiliation, geographical residence, or payment ability. The Center is a Federally Qualified Health Center and receives federal assistance. Raphael Realty, Inc. is organized to provide a health care facility for the benefit of the Center.

2. SIGNIFICANT ACCOUNTING POLICIES

The Center maintains its accounting records on the accrual basis.

The consolidated financial statements include the accounts of the Center and Raphael Realty, Inc. All material inter-company accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Supplies are stated at the lower of cost (first-in, first-out) or net realizable value.

Investments are recorded at market value. Unrealized gains and losses are included in the statements of operations.

Equipment is stated at cost or, for donations, at fair market value at the date of donation. Depreciation is computed over the estimated useful life, generally 40 years for the buildings and 3 to 7 years for software, leasehold improvements and equipment, using the straight-line method.

Assets limited as to use consist of funds designated by the Board of Directors for capital improvements. The Board retains control of these amounts and may at its discretion subsequently use the funds for other purposes.

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

The Center uses the allowance method to estimate deductions from patient revenue and bad debt expense for accounts receivable deemed uncollectible.

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

At December 31, 2008 and 2007, the Center has two classes of net assets in its financial statements, those which are temporarily restricted, and those which are unrestricted. Temporarily restricted net assets are net assets in which the donor has imposed restrictions as to the assets' use related to either the timing or the purpose of such use. When such restrictions are met, the net assets are released from restriction into unrestricted net assets. Unrestricted net assets are those net assets in which management possesses full discretionary power as to use. The Center has no permanently restricted assets whereby the use of such funds would be donor restricted in perpetuity.

The Center and Raphael Realty, Inc. have been recognized by the Internal Revenue Service as not-for-profit corporations as described in Internal Revenue Code Section 501(c)(3) and 501(c)(2), respectively. Both corporations are exempt from federal income taxes.

For purposes of the statements of cash flows, investments with a maturity of three months or less are considered to be cash equivalents.

3. CASH AND CASH EQUIVALENTS

The Center maintains its cash in several bank accounts. The balance exceeds federally insured limits at times. As of December 31, 2008 and 2007, such excesses totaled approximately $120,800 and $390,000, respectively.

The Center has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. CONSTRUCTION LOAN PAYABLE

The National Bank of Indianapolis has made $1,250,000 available for construction through a promissory note dated June 8, 2004. The note is collateralized by an assignment of rents and profits and bears interest at the prime rate (currently 3.25%). The note requires interest-only payments monthly. The note was renewed on July 11, 2007, and matures on July 11, 2009. At December 31, 2008 and 2007, $249,946 and $549,946 was outstanding, respectively.

5. REVENUE FROM CONTRACTING AGENCIES

The Center participates as a provider of health care services to Medicare and Medicaid patients. Reimbursement for covered services is based on tentative payment rates. Final reimbursement is determined after submission of annual cost reports and audits thereof by the fiscal intermediaries. Provisions for estimated reimbursement adjustments are reported in the financial statements in the period that the services are rendered.

Revenue from Medicare and Medicaid accounted for approximately 80% and 76% of total patient service revenue in 2008 and 2007, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

6. GRANTS

Below is a summary of grants received and expended during 2008:

	Grant Commitments Available 12/31/07	2008 Awards	2008 Expenditures	Grant Commitments Available 12/31/08
Bureau of Primary Health Care (Section 330) - 2007/2008	$ 278,118	$ -	$ 278,118	$ -
Bureau of Primary Health Care (Section 330) - 2008/2009	-	668,940	390,213	278,727
United Way of Central Indiana	-	25,000	25,000	-
Indianapolis Foundation	-	40,000	40,000	-
ISDH Capital Projects	-	350,227	234,404	115,823
ISDH Special Projects	-	352,000	352,000	-
Family Life Center - 2006/2008	73,605	-	73,605	-
Indiana State Community Health Centers Fund	118,814	242,350	241,318	119,846
MCH/CHC	-	103,400	26,814	76,586
Efroymson Foundation	-	13,225	13,225	-
Susan G. Komen Foundation	-	4,125	4,125	-
Fairbanks Foundation	-	50,000	50,000	-
Totals	$ 470,537	$ 1,849,267	$ 1,728,822	$ 590,982

7. CONCENTRATIONS OF CREDIT RISK

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, was as follows:

	2008	2007
Medicaid/Medicare	94%	86%
Other third party payors	5%	11%
Private pay	1%	3%
Total	100%	100%

8. IN-KIND CONTRIBUTIONS

The Center received in-kind contributions for software, vaccines for children, and physician and other services during 2008 and 2007. The amounts of in-kind contributions for the years are as follows:

	2008	2007
Software	$ 3,745	$ -
Vaccines for children	84,250	144,056
Physician services	7,556	27,720
Total	$ 95,551	$ 171,776

9. SCHEDULES OF FUNCTIONAL EXPENSES

The schedule of functional expenses for the year ended December 31, 2008, is as follows:

	Patient Services	Management	Total
Wages and benefits	$ 1,645,502	$ 410,493	$ 2,055,995
Laboratory	28,219	-	28,219
Clinic supplies and medicines	197,404	-	197,404
Facilities	29,962	6,674	36,636
Maintenance and custodial	43,106	11,183	54,289
Depreciation	158,436	41,105	199,541
Interest	21,985	5,704	27,689
Telephone	10,430	2,706	13,136
Office supplies	-	18,198	18,198
Bank service charges	-	9,342	9,342
Dues and subscriptions	16,160	4,192	20,352
Insurance	-	13,564	13,564
Transportation	1,491	-	1,491
Postage	4,644	1,205	5,849
Professional fees	-	25,548	25,548
Information services	72,135	16,600	88,735
Other	10,254	4,644	14,898
Professional continued education	4,998	11,213	16,211
Total	$ 2,244,726	$ 582,371	$ 2,827,097

(Continued)

9. SCHEDULES OF FUNCTIONAL EXPENSES – Continued

The schedule of functional expenses for the year ended December 31, 2007, is as follows:

	Patient Services	Management	Total
Wages and benefits	$ 1,759,121	$ 403,634	$ 2,162,755
Laboratory	16,929	-	16,929
Clinic supplies and medicines	246,900	-	246,900
Facilities	31,356	5,804	37,160
Maintenance and custodial	40,932	9,488	50,420
Depreciation	161,098	37,341	198,439
Interest	39,435	9,141	48,576
Telephone	10,834	2,511	13,345
Professional fees	-	24,042	24,042
Office supplies	-	24,500	24,500
Service charges	-	9,630	9,630
Dues and subscriptions	19,396	4,496	23,892
Insurance	6,973	3,524	10,497
Postage	4,010	930	4,940
Information services	43,542	8,937	52,479
Professional continued education	5,407	6,975	12,382
Other	4,433	3,111	7,544
Transportation	285	66	351
Total	$ 2,390,651	$ 554,130	$ 2,944,781

10. RETIREMENT PLAN

The Center offers a Section 401(k) retirement plan that matches employee contributions up to 5%. For the years ended December 31, 2008 and 2007, the Center contributed $43,676 and $49,485, respectively, to the employee retirement plan.

11. CONSOLIDATED ENTITY

Raphael Realty, Inc., a wholly owned subsidiary of the Center, has been consolidated into these financial statements. Raphael Realty, Inc. is a corporation formed to hold real estate for the benefit of the Center and is organized under Section 501c(2) of the Internal Revenue Code. All significant intercompany accounts have been eliminated. Below is a summary of significant financial information as of December 31, 2008 and 2007, and for the years then ended, for Raphael Realty, Inc. that has been consolidated in these statements.

	2008	2007
Total Assets	$ 2,415,734	$ 2,459,486
Total Liabilities	2,853,501	2,712,437
Total Net Assets	$ (437,767)	$ (252,951)
Total Revenues	$ 57	$ 99
Total Expenses	$ 150,189	$ 136,777

Revenues of Raphael Realty, Inc. are exclusive of rental income that would have been charged to the Center were its real estate holding not for the exclusive use of the Center. Based on a rental rate of $12 per square foot and square footage approximating 14,000 square feet, such income would have been $168,000 per year in 2007 and 2008.

RAPHAEL HEALTH CENTER, INC.
AND RAPHAEL REALTY, INC.

REPORTS PRESCRIBED BY
OMB CIRCULAR A-133

DECEMBER 31, 2008

Gauthier & Kimmerling, LLC
accountants & advisors
233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

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*

Board of Directors
Raphael Health Center, Inc.
and Raphael Realty, Inc.
Indianapolis, Indiana

We have audited the consolidated financial statements of Raphael Health Center, Inc. and Raphael Realty, Inc. (the Center) as of and for the year ended December 31, 2008, and have issued our report thereon dated May 15, 2009. 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 Center'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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 Center's financial statements that is more than inconsequential will not be prevented or detected by the Center'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 Center'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 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 Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Center's Board of Directors, others within the Center, and the 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.

Gauthier & [illegible], LLC

May 15, 2009

Gauthier & Kimmerling, LLC
accountants & advisors
233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Directors
Raphael Health Center, Inc.
and Raphael Realty, Inc.
Indianapolis, Indiana

COMPLIANCE

We have audited the compliance of Raphael Health Center, Inc. and Raphael Realty, Inc. (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The Center's major federal programs are identified in the summary of auditor's 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 Center's management. Our responsibility is to express an opinion on the Center'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 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 Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

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

INTERNAL CONTROL OVER COMPLIANCE

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with 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 Center'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 federal program will not be prevented or detected by the entity's internal control.

Our consideration of 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic consolidated financial statements of the Center as of and for the year ended December 31, 2008, and have issued our report thereon dated May 15, 2009. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

This report is intended solely for the information of the Center's Board of Directors, management, others within the entity, and the 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.

Gauthier & Tumalty, LLC

May 15, 2009

Raphael Health Center, Inc. and Raphael Realty, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Grantor Program Title	Federal CFDA Number	Pass - Through Entity Identification Number	Federal Expenditures	Totals
U.S. Department of Health and Human Services:				
Bureau of Primary Health Care (Section 330) Community Health Centers Program	93.224	N/A	$ 668,331	
Pass-Through Programs From:				
Indiana State Department of Health - Maternal Child Health Services Block Grants to the States	93.994	MCH219-6	73,605	
Total U.S. Department of Health and Human Services				741,936
Total Expenditures of Federal Awards				$ 741,936

See the accompanying note.

Raphael Health Center, Inc. and Raphael Realty, Inc.
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

The following describes the significant accounting policies used in the preparation of the schedule of expenditures of federal awards:

Basis of Accounting – Raphael Health Center, Inc. and Raphael Realty, Inc. maintains its financial records using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related goods or services are received. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Raphael Health Center, Inc. and Raphael Realty, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2008

ITEM NUMBER	AUDIT FINDING
	None reported.

Raphael Health Center, Inc. and Raphael Realty, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditor report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? *None reported*

Noncompliance material to financial statements noted: *No*

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified: *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? *None reported*

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? *No*

Identification of major programs:

CFDA Number(s)	Name of Federal Program
93.224	U.S. Department of Health and Human Services Bureau of Primary Health Care (Section 330) Community Health Centers Program

Raphael Health Center, Inc. and Raphael Realty, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I - Summary of Auditors' Results - continued

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

Auditee qualified as low-risk auditee? *Yes*

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Gauthier & Kimmerling, LLC
accountants & advisors
233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

April 15, 2009

Board of Directors
Raphael Health Center, Inc.
Indianapolis, Indiana

In order to assist the Board of Directors with oversight of the audit and financial statements, we submit the following comments with respect to the audit for the year ended December 31, 2008.

Auditors' responsibility under generally accepted auditing standards:

An audit conducted in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement. Accordingly, the auditor obtains a sufficient understanding of internal control to plan the audit, but this understanding and the tests of selected internal controls that are performed are not sufficient for the auditor to express an opinion on the effective operation of internal control.

Significant accounting policies:

The Board should be aware of the accounting methods and accounting policies of Raphael Health Center, Inc. A review of notes to the audited financial statements will assist with that oversight.

Management judgments and accounting estimates:

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Estimates are customarily based upon knowledge and experience about past and current events and assumptions about future events. Some estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ significantly from current information.

Raphael Health Center, Inc.'s most significant estimates involve the collectibility of receivables and depreciation of assets.

Audit adjustments:

We are responsible for informing the Board of audit adjustments that could have a material effect on the financial statements currently or in the future. We have reviewed our proposed adjustments with management and management has agreed to reflect all proposed entries in the current financial statements.

The most significant recommended entries were as follows:

1. Routine depreciation entry
2. Accrual of year-end "wrap" payments
3. Accrued payroll and trade payables
4. Third party settlement receivable

Other information in documents containing audited financial statements:

The Board of Directors often considers information prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by auditing standards generally accepted in the United States of America to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information inconsistent based on this reading, we are to seek a resolution of the matter.

No such information was prepared by management to accompany the audited financial statements.

Disagreements with management:

During our audit for 2008, there were no such instances of disagreements with management.

Consultation with other accountants:

If management consulted with other accountants about auditing and accounting matters, we are to inform the Board of Directors of such consultation, if we are aware of it, and provide our views on the matters discussed.

We are not aware of any instances where management consulted with other accountants about matters which might affect your financial statements.

Major issues discussed with management prior to retention:

There were no such issues discussed in relation to our retention as auditors.

Difficulties encountered in performing the audit:

We experienced no difficulties in dealing with management related to the performance of the audit. Your personnel were very cooperative in assisting us with the audit process.

Waived audit adjustments:

There were no proposed audit adjustments waived.

We are pleased to serve Raphael Health Center, Inc. The preceding information is provided to assist you in the oversight and management roll. This report is intended solely for the information and use of the Board of Directors, management, and others within Raphael Health Center, Inc. and is not intended to be and should not be used by anyone other than these parties. Please contact us directly with any questions.

Sincerely,

Gauthier & Kimmerling, LLC

Gauthier & Kimmerling, LLC