



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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February 17, 2010

Board of Directors
Geminus Corporation
8400 Louisiana St.
Merrillville, IN 46410

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2006 to June 30, 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 Geminus Corporation, as of June 30, 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

GEMINUS CORPORATION

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Geminus Corporation
Merrillville, Indiana

We have audited the accompanying statements of financial position of Geminus Corporation (Geminus) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Geminus' management. 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Guidelines for Examinations of Entities Receiving Financial Assistance from the Governmental Sources, issued by the Indiana State Board of Accounts. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Geminus as of June 30, 2007 and 2006, and the results of its operations, changes in net assets and 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 issued our report dated September 10, 2007, on our consideration of Geminus' 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 audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Geminus. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Geminus. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blue & Co., LLC

September 10, 2007

GEMINUS CORPORATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Current assets		
Cash	\$ 1,094,529	\$ 1,699,389
Accounts receivable	2,632,971	1,836,353
Accounts receivable - affiliates	432,020	112,465
Prepaid expenses and other assets	337,077	304,196
Total current assets	<u>4,496,597</u>	<u>3,952,403</u>
Property and equipment, net	5,647,225	5,499,102
Investments	<u>385,056</u>	<u>317,079</u>
Total assets	<u>\$ 10,528,878</u>	<u>\$ 9,768,584</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Current portion of long-term debt	\$ 260,823	\$ 248,747
Current portion of capital lease obligation	-0-	37,534
Accounts payable	902,694	978,021
Accounts payable - affiliates	-0-	23,747
Accrued salaries, benefits and related	782,715	814,327
Other accrued expenses	572,313	553,901
Total current liabilities	<u>2,518,545</u>	<u>2,656,277</u>
Long-term liabilities		
Long-term debt	<u>1,655,369</u>	<u>1,916,086</u>
Total liabilities	4,173,914	4,572,363
Net assets		
Unrestricted net assets	<u>6,354,964</u>	<u>5,196,221</u>
Total liabilities and net assets	<u>\$ 10,528,878</u>	<u>\$ 9,768,584</u>

See accompanying notes to financial statements

GEMINUS CORPORATION

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Net service revenue	\$ 22,623,904	\$ 25,158,800
In-kind revenue	1,834,628	1,200,193
Management and administrative fees	2,333,885	2,033,529
Indiana Funds Recovery Program	1,217,746	657,570
USDA revenue	<u>773,325</u>	<u>664,347</u>
Total operating revenue	28,783,488	29,714,439
Operating expenses		
Management and administrative services	2,736,448	2,608,714
CBHN network	6,694,084	8,392,028
Head Start	10,390,330	10,344,253
Prevention	2,076,685	2,075,546
Child Mental Health Initiative	3,247,587	3,059,819
CCDF Voucher program	415,722	405,136
Daily Bread	<u>303,108</u>	<u>226,109</u>
Total program services	25,863,964	27,111,605
General and administrative expenses	<u>2,271,299</u>	<u>2,004,990</u>
Total operating expenses	28,135,263	29,116,595
Operating income before other revenue	648,225	597,844
Other revenue		
Interest income	113,171	56,367
Rental income	73,010	72,030
Miscellaneous	<u>324,337</u>	<u>139,931</u>
Total other operating revenue	510,518	268,328
Change in unrestricted net assets	<u>\$ 1,158,743</u>	<u>\$ 866,172</u>

See accompanying notes to financial statements

GEMINUS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE JUNE 30, 2006 TOTALS)

	Management and Administrative Services	CBHN Network	Head Start	Prevention	Child Mental Health Initiative	Voucher Program	Daily Bread	Total Program Expense	General and Administrative	2007 Total	2006 Total
Salaries and wages	\$ 1,635,579	\$ 58,898	\$ 3,990,016	\$ 401,775	\$ 226,475	\$ 210,741	\$ 36,253	\$ 6,559,737	\$ 1,051,930	\$ 7,611,667	\$ 7,538,777
Employee benefits	460,473	18,108	1,291,898	129,407	60,993	64,574	8,842	2,034,295	298,930	2,333,225	1,913,029
Building and equipment maintenance	179,514	2,343	1,111,755	52,225	47,848	19,372	3,566	1,416,623	157,233	1,573,856	1,627,445
Purchased services	88,263	6,583,482	1,574,057	1,336,107	2,655,045	57,092	242,667	12,541,713	395,282	12,936,995	14,032,041
General and administrative supplies	134,261	16,553	513,204	94,657	198,494	27,143	3,343	987,655	183,019	1,170,674	1,208,726
Other operating expenses	26,407	4,685	1,213,553	(2,935)	6,520	14,667	767	1,263,664	20,169	1,283,833	1,478,565
Travel and development	13,154	2,560	80,999	26,918	6,253	1,192	4,113	135,189	14,913	150,102	197,019
Subtotal	2,537,651	6,691,629	9,775,482	2,038,154	3,201,628	394,781	299,551	24,938,876	2,121,476	27,060,352	27,995,602
Depreciation and amortization	198,797	2,455	614,848	38,531	45,959	20,941	3,557	925,088	149,823	1,074,911	1,120,993
Total	\$ 2,736,448	\$ 6,694,084	\$ 10,390,330	\$ 2,076,685	\$ 3,247,587	\$ 415,722	\$ 303,108	\$ 25,863,964	\$ 2,271,299	\$ 28,135,263	\$ 29,116,595

See accompanying notes to financial statements

GEMINUS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2006

	Management and Administrative Services	CBHN Network	Head Start	Prevention	Child Mental Health Initiative	Voucher Program	Daily Bread	Total Program Expense	General and Administrative	2006 Total
Salaries and wages	\$ 1,604,500	\$ 63,267	\$ 3,868,610	\$ 446,502	\$ 345,630	\$ 210,162	\$ 32,300	\$ 6,570,971	\$ 967,806	\$ 7,538,777
Employee benefits	358,190	13,661	1,069,741	113,390	55,108	79,063	5,380	1,694,533	218,496	1,913,029
Building and equipment maintenance	189,478	3,042	1,143,433	59,971	49,506	18,941	2,461	1,466,832	160,613	1,627,445
Purchased services	84,390	8,269,066	1,682,511	1,204,801	2,277,996	34,388	172,203	13,725,355	306,686	14,032,041
General and administrative supplies	140,753	33,688	508,506	119,346	204,364	26,068	4,815	1,037,540	171,166	1,208,726
Other operating expenses	30,380	2,160	1,299,160	41,374	63,587	14,918	2,657	1,454,236	24,329	1,478,565
Travel and development	10,522	3,228	91,835	50,067	21,009	1,048	3,042	180,751	16,268	197,019
Subtotal	2,418,213	8,388,112	9,663,796	2,035,451	3,017,200	384,588	222,858	26,130,218	1,865,384	27,995,602
Depreciation and amortization	190,501	3,916	680,457	40,095	42,619	20,548	3,251	981,387	139,606	1,120,993
Total	\$ 2,608,714	\$ 8,392,028	\$ 10,344,253	\$ 2,075,546	\$ 3,059,819	\$ 405,136	\$ 226,109	\$ 27,111,605	\$ 2,004,990	\$ 29,116,595

See accompanying notes to financial statements

GEMINUS CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>General Net Assets</u>	<u>Board Designated Replacement and Expansion Net Assets</u>	<u>Total</u>
Balance at June 30, 2005	\$ 3,925,576	\$ 404,473	\$ 4,330,049
Change in unrestricted net assets	841,261	24,911	866,172
Transfer to provide for purchase of equipment	428,190	(428,190)	-0-
Transfers to provide for future property and equipment replacements	<u>(475,632)</u>	<u>475,632</u>	<u>-0-</u>
Change in net assets	<u>793,819</u>	<u>72,353</u>	<u>866,172</u>
Balance at June 30, 2006	4,719,395	476,826	5,196,221
Change in unrestricted net assets	1,086,225	72,518	1,158,743
Transfer to provide for purchase of equipment	443,563	(443,563)	-0-
Transfers to provide for future property and equipment replacements	<u>(497,289)</u>	<u>497,289</u>	<u>-0-</u>
Change in net assets	<u>1,032,499</u>	<u>126,244</u>	<u>1,158,743</u>
Balance at June 30, 2007	<u>\$ 5,751,894</u>	<u>\$ 603,070</u>	<u>\$ 6,354,964</u>

See accompanying notes to financial statements

GEMINUS CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Operating activities		
Change in net assets	\$ 1,158,743	\$ 866,172
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,074,911	1,120,993
Gain on sale of property and equipment	(75,907)	-0-
Changes in operating assets and liabilities		
Accounts receivable	(796,618)	(37,948)
Accounts receivable - affiliates	(319,555)	263,552
Prepaid expenses and other assets	(32,881)	3,488
Accounts payable	(75,327)	202,780
Accrued salaries, employee benefits and related withholdings	(31,612)	42,446
Other accrued expenses	18,412	15,637
Accounts payable - affiliates	(23,747)	23,747
Net cash flows from operating activities	896,419	2,500,867
Investing activities		
Purchase of property and equipment	(1,257,489)	(1,076,956)
Proceeds from sale of property and equipment	110,362	-0-
Net change in investments	(67,977)	(313,249)
Net cash flows from investing activities	(1,215,104)	(1,390,205)
Financing activities		
Principal payments on long-term debt and capital leases	(286,175)	(304,870)
Net change in cash	(604,860)	805,792
Cash, beginning of year	1,699,389	893,597
Cash, end of year	\$ 1,094,529	\$ 1,699,389
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 80,966	\$ 125,090

See accompanying notes to financial statements

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Geminus Corporation (Geminus) was incorporated in 1993 as an Indiana not-for-profit corporation. Geminus' mission is two-fold.

- Geminus Corporation serves as a vehicle for the development of collaborative relationships in social service program development in the areas of child welfare, early childhood development, and behavioral health services. Total revenue from the Head Start grant, including capital support, amounted to approximately \$9.5 million and \$9.6 million for the fiscal years ended June 30, 2007 and 2006, respectively. The Head Start grant represents approximately 42% and 38% of Geminus' net service revenue for the fiscal years 2007 and 2006, respectively. Additionally, approximately 30% and 34% of Geminus' fiscal 2007 and 2006 revenue is derived from managed care provider contracts with the Indiana Division of Mental Health and Addiction for seriously emotionally disturbed children services, seriously mentally ill services and substance abuse services with care subcontracted to six mental health centers in Lake, Porter, Starke, LaPorte, and Elkhart counties.
- Geminus Corporation also serves as a cost-effective provider of management and administrative services to its affiliates (Note 3). Management and administrative fee revenue relates to support services which include management information systems, client billing, accounting, financial and purchasing systems, marketing, and human resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Geminus is a not-for-profit corporation, as described under Code Section 501(c)(3) of the Internal Revenue Code. As such, Geminus is exempt from federal and state income taxes and federal excise tax on investment income. However, Geminus is subject to income taxes on unrelated business activities.

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Concentration of Credit Risk

As of June 30, 2007 and 2006, Geminus had deposits in excess of insurable limits at financial institutions. Geminus has not experienced any losses in such accounts. Geminus believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due from various programs such as Head Start, Prevention and the Division of Mental Health. The receivables are stated at net realizable value.

Cash Equivalents

Cash equivalents are carried at cost, which approximates market value. Geminus considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Buildings, Leasehold Improvements, Equipment, and Depreciation: Buildings, leasehold improvements and equipment are capitalized and recorded at cost; repairs and maintenance are charged to operations as incurred. When equipment and leasehold improvements are disposed of, the cost and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are reflected in income. Depreciation is provided for financial reporting purposes using the straight-line method over estimated useful lives.

Public Support

Geminus receives Federal and state grants for providing services in specific program areas. Receipt of these funds is subject to the fulfillment of certain obligations by Geminus as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency.

Geminus derives a significant portion of its revenue from Federal and state funding programs. The receipt of future funding by Geminus is subject to, among other factors, Federal and state policies and economic conditions that may include an inability to control expenses in periods of inflation, increased competition and other conditions which are difficult to predict.

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Financial Statement Presentation

Under SFAS No. 117 Financial Statements of Not-for-profit organization, Geminus 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) based upon the existence or absence of donor-imposed restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Geminus has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Investments

Under SFAS No. 124, Accounting for Certain Investments held by Not-for-profit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

In-Kind Revenue

In-kind revenue represents donated property, equipment, classroom space and donated services which are recognized at fair market value at the time of donation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect on the change in unrestricted net assets as a result of these reclassifications.

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

2. INVESTMENTS

Investments are stated at fair value and summarized as follows:

	<u>2007</u>	<u>2006</u>
Taxable bonds	\$ 1,516	\$ 1,616
Mutual funds	274,097	315,463
Equities	109,443	-0-
	<u>\$ 385,056</u>	<u>\$ 317,079</u>

Unrealized gains on investments were \$34,503 in 2007 and unrealized losses on investments were \$1,823 for 2006.

3. RELATED PARTY TRANSACTIONS

During fiscal years 2007 and 2006, two mental health centers; Southlake Community Mental Health Center (Southlake), and Tri-City Comprehensive Community Mental Health Center (Tri-City) each own one-half interest in Geminus.

Amounts due (to) from Geminus' affiliates for management and administrative services and the managed care contract are as follows:

	<u>2007</u>	<u>2006</u>
Tri-City Comprehensive Community Mental Health Center (Tri-City)	\$ 171,658	\$ 112,465
Southlake Community Mental Health Center (Southlake)	<u>260,362</u>	<u>(23,747)</u>
	<u>\$ 432,020</u>	<u>\$ 88,718</u>

During the year ended June 30, 2007, management and administrative fee revenue amounted to \$1,181,147 and \$828,382, from Southlake and Tri-City, respectively. During the year ended June 30, 2006, management and administrative fee revenue amounted to \$980,565 and \$728,964 from Southlake and Tri-City, respectively.

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

During the years ended June 30, 2007 and 2006, approximately \$432,600 and \$413,801 of Prevention program related fees were paid to Tri-City. These amounts are expensed as purchased services in these financial statements.

During the year ended June 30, 2007, approximately \$1,644,714 and \$2,004,652 were paid to Southlake and Tri-City, respectively, as part of the substance abuse, seriously emotionally disturbed children and seriously mentally ill managed care programs. During the year ended June 30, 2006, approximately \$2,161,709 and \$1,793,626 were paid to Southlake and Tri-City, respectively, as part of the substance abuse, seriously emotionally disturbed children and seriously mentally ill managed care programs.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Land and building	\$ 4,595,291	\$ 4,381,370
Moveable equipment	2,774,316	2,543,794
Leasehold improvements	1,662,282	1,494,584
Head Start equipment	5,794,195	5,247,513
Software	225,000	225,000
	<u>15,051,084</u>	<u>13,892,261</u>
Depreciation and amortization	9,403,859	8,393,159
	<u>\$ 5,647,225</u>	<u>\$ 5,499,102</u>

5. LONG TERM DEBT AND CAPITAL LEASE OBLIGATION

In 2004, Geminus Corporation entered into an agreement to become an obligor on a tax exempt bond issue, known as Indiana Health Facility Financing Authority Health Care Facility Revenue Bonds Series 2004. These bonds bear an interest rate of 4.75% and mature on April 1, 2014. Principal and interest are paid monthly. The balance as of June 30, 2007 and 2006 was \$1,916,192 and \$2,164,833, respectively. Geminus Corporation is subject to certain restrictions and covenants as defined in the bond documents. As of June 30, 2007 and 2006, Geminus is in compliance with these restrictions and covenants.

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

In 2003, Geminus entered into an agreement with Kansas State Bank of Manhattan to borrow \$250,000 to purchase software licensing agreement. Pursuant to this agreement, Geminus financed a \$250,000 license purchase at 7.75% interest rate. The balance due as of June 30, 2007 and 2006 was \$0 and \$37,534, respectively. The note matured on October 16, 2006.

Geminus incurred interest expense of \$80,966 and \$125,090 for the years ended June 30, 2007 and 2006, respectively.

Current maturities of long-term debt and capital lease obligations are as follows:

Year Ending June 30,	
2008	\$ 260,823
2009	273,485
2010	286,762
2011	300,684
2012	315,281
Thereafter	479,157
	<u>\$ 1,916,192</u>

6. NET SERVICE REVENUE

Net service revenue is as follows:

	2007	2006
CBHN Network	\$ 6,895,898	\$ 8,553,265
Head Start	9,546,006	9,579,960
Prevention	2,172,627	2,233,308
Child and Mental Health Initiative	3,853,153	4,780,452
CCDF Voucher	599,940	549,396
	<u>23,067,624</u>	<u>25,696,381</u>
Service fee adjustments	443,720	537,581
Net service revenue	<u>\$ 22,623,904</u>	<u>\$ 25,158,800</u>

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

7. PENSION PLAN

Substantially all full-time employees of Geminus Corporation who have one year of service and are age 21 or older are covered under a noncontributory defined-contribution pension plan. For each eligible employee, Geminus contributes 7% of the employee's total compensation, as defined, plus 5.7% of such compensation in excess of the Social Security Taxable Wage Base. Effective January 1, 2007, the plan was amended and restated into a 401(k) plan. The new plan covers substantially all full-time employees of Geminus. The amount of employer matching contributions is determined each year by Geminus up to a maximum of one percent of an eligible employee's annual compensation. Pension expense charged to operations amounted to \$417,180 and \$388,783 for the years ended June 30, 2007 and 2006, respectively.

8. LEASES

Geminus leases classroom and kitchen space at various locations for Head Start programs. Future minimum rental under these noncancellable operating leases as of June 30, 2007 is as follows:

Year Ending June 30,	
2008	\$ 55,845
2009	31,845
2010	32,837
2011	32,837
2012	32,837
Thereafter	14,000
	<u>\$ 200,201</u>

Total rent expense amounted to \$322,669 and \$341,628 for the years ended June 30, 2007 and 2006, respectively.

Geminus also leases space in its main office building. The lease income was \$73,010 and \$72,030 for the year ended June 30, 2007 and 2006, respectively.

9. REPLACEMENT AND EXPANSION

During the years ended June 30, 2007 and 2006, the Board of Directors designated funds in the amount of \$497,289 and \$475,632 for future property and equipment replacements. During the years ended June 30, 2007 and 2006, \$443,563 and \$428,190, respectively, were transferred from the amounts designated for purchase of equipment.

GEMINUS CORPORATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

10. CONTINGENT LIABILITY

Geminus Corporation entered into a self-insurance plan with Mennonite Mutual Aid (MMA) whereby MMA provides certain administrative services and SAFECO provides specific and aggregate stop loss coverage. Geminus pays a reduced monthly premium. However, they are responsible for the funding of all claims up to \$50,000 per individual per policy year and up to \$1,481,390 per year on the group as a whole. A liability of \$268,701 and \$252,251 has been recorded by Geminus as of June 30, 2007 and 2006, respectively, to estimate payment of claims pending on that date. Group insurance expense for the fiscal years ended June 30, 2007 and 2006 totaled \$972,082 and \$620,005, respectively.

11. INDIANA FUNDS RECOVERY PROGRAM

In January 1999, Geminus began participating in a program with the State of Indiana whereby administrative actions performed by Geminus that support the proper and efficient operation of the Indiana State Medicaid plan are reimbursed by the Federal Government, subject to Geminus providing matching funds.

The financial statements as of and for the years ended June 30, 2007 and 2006, reflected revenues from this funding source of \$1,217,746 and \$657,570, respectively. Amounts are paid by the State retroactively. Related accounts receivable amounted to \$933,564 and \$719,262 as of June 30, 2007 and 2006, respectively.

SUPPLEMENTARY INFORMATION

GEMINUS CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass Through Grantor / Program Title	CFDA Number	Grant ID #	Grant Expenditures
Major Programs			
U.S. Department of Health and Human Services			
Pass Through the Indiana Division of Mental Health and Addiction (DMH)			
Substance Abuse Prevention and Treatment Block Grant and Other Prevention Services	93.959	45-07-34-1279	\$ 5,263,992
Child Care and Development Fund (CCDF) Voucher Program	93.596	45-07-34-1279	<u>599,940</u>
Total major programs			5,863,932
Non-major Programs			
U.S. Department of Health and Human Services			
Head Start Grant	93.600	05CH7080/10	9,546,006
Pass Through the Indiana Division of Mental Health and Addiction (DMH)			
Social Services Block Grant	93.667	45-07-34-1279	308,634
Drug Free Communities Support Program	93.276	45-07-34-1279	105,031
Child Mental Health Initiative	93.104	45-07-34-1279	189,603
Mental Illness Block Grant - Children	93.958	45-07-34-1279	266,403
U.S. Department of Agriculture			
USDA Food Grant	10.558	(07) 1450460	<u>773,325</u>
Total non-major programs			<u>11,189,002</u>
Total federal expenditures			<u>\$ 17,052,934</u>

Note - The accompanying schedule of expenditures of federal awards for the year ended June 30, 2007 includes the federal grant activity of Geminus and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

GEMINUS CORPORATION

SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS YEAR ENDED JUNE 30, 2007

<u>Grantor</u>	<u>Expenditures</u>
State	
Indiana Division of Mental Health and Addiction	<u>\$ 4,247,069</u>

Note - The accompanying schedule of expenditures of state and local awards for the year ended June 30, 2007 includes the state and local award activity of Geminus and is presented on the accrual basis of accounting. The basic financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.



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

Board of Directors
Geminus Corporation
Merrillville, Indiana

We have audited the financial statements of Geminus Corporation (Geminus) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources issued by the Indiana State Board of Accounts.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Geminus' 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Geminus' 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 Geminus' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Geminus' internal control over financial reporting.

Board of Directors
Geminus Corporation

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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.

We noted certain matters that we reported to management of Geminus in a separate letter dated September 10, 2007.

This report is intended solely for the information of the board of directors, management, the cognizant audit agencies, the Indiana Division of Mental Health and Addiction and other 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.

Blue & Co., LLC

September 10, 2007



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REPORT OF INDEPENDENT AUDITORS 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
Geminus Corporation
Merrillville, Indiana

Compliance

We have audited the compliance of Geminus Corporation (Geminus) 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 June 30, 2007. Geminus' major federal programs are identified in the summary of audit 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 Geminus' management. Our responsibility is to express an opinion on Geminus' 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 Geminus' 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 Geminus' compliance with those requirements.

In our opinion, Geminus 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 June 30, 2007.

Board of Directors
Geminus Corporation

Internal Control Over Compliance

The management of Geminus 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 Geminus' 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 Geminus' 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 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 the Board of Directors, management, the cognizant audit agencies, the Indiana Division of Mental Health and Addiction and other 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.

Blue & Co., LLC

September 10, 2007

GEMINUS CORPORATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none noted

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none noted

Type of auditor's 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

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Substance Abuse Prevention and Treatment Block Grant and Other Prevention Services
93.596	Child Care and Development Fund (CCDF) Voucher Program

Dollar threshold used to distinguish between type A and B programs: \$511,588

Auditee qualified as low-risk auditee? yes no