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October 10, 2013

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

We have reviewed the audit report prepared by Sikich, Independent Public Accountants, for the period January 1, 2011 to December 31, 2011. 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, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

The Damien Center, Inc.

Financial Statements
With Supplemental Information
December 31, 2011 and 2010



TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3-4
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	5-6
STATEMENTS OF FUNCTIONAL EXPENSES.....	7-8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS.....	10-16
SUPPLEMENTARY INFORMATION:	
REVENUE GRAPHS.....	18
EXPENSE GRAPHS	19
SINGLE AUDIT SECTION:	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22-23
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	24-25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	26



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Certified Public Accountants & Advisors

*Members of American Institute of
Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Damien Center, Inc. (an Indiana non-profit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Damien Center, Inc. as of December 31, 2011 and 2010, 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 19, 2012, on our consideration of The Damien Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in accessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Damien Center, Inc. taken as a whole. The accompanying supplementary information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements of The Damien Center, Inc. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements of The Damien Center, Inc. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
March 19, 2012

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 303,376	\$ 598,768
Grants and other receivables	277,370	254,550
Current portion of pledges receivable, net	-	49,920
Prepaid expenses	<u>4,565</u>	<u>4,564</u>
 Total Current Assets	 <u>585,311</u>	 <u>907,802</u>
PROPERTY AND EQUIPMENT:		
Land	10,500	10,500
Building	339,500	339,500
Building improvements	1,582,218	1,582,218
Furnishings and equipment	288,729	286,110
Technology	<u>156,365</u>	<u>149,829</u>
	2,377,312	2,368,157
Less: accumulated depreciation	<u>(628,900)</u>	<u>(532,255)</u>
 Total Property and Equipment, net	 <u>1,748,412</u>	 <u>1,835,902</u>
OTHER ASSETS:		
Certificates of deposit	250,000	-
Net pledges receivable, net of current portion	<u>-</u>	<u>21,298</u>
 Total Other Assets	 <u>-</u>	 <u>21,298</u>
	 <u>\$ 2,333,723</u>	 <u>\$ 2,765,002</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
(Continued)
DECEMBER 31, 2011 AND 2010

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES:		
Current portion of bonds payable	\$ 56,553	\$ 100,000
Accounts payable	22,996	31,693
Accrued expenses	<u>22,661</u>	<u>15,874</u>
Total Current Liabilities	<u>102,210</u>	<u>147,567</u>
LONG TERM DEBT:		
Bonds payable, net of current portion	<u>-</u>	<u>56,553</u>
Total Liabilities	<u>102,210</u>	<u>204,120</u>
NET ASSETS:		
Unrestricted	1,954,213	1,978,513
Unrestricted - Client assurance fund	100,000	100,000
Temporarily restricted	<u>427,300</u>	<u>482,369</u>
Total Net Assets	<u>2,481,513</u>	<u>2,560,882</u>
	<u>\$ 2,583,723</u>	<u>\$ 2,765,002</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>Total 2010</u>
REVENUES AND SUPPORT:				
Special events	\$ 190,638	\$ -	\$ 190,638	\$ 171,340
Less direct expenses of special events	<u>(62,992)</u>	<u>-</u>	<u>(62,992)</u>	<u>(91,224)</u>
Net special events	127,646	-	127,646	80,116
Grant service contracts	1,726,047	34,465	1,760,512	1,577,643
Bequests and contributions	261,504	6,167	267,671	228,292
United Way of Central Indiana, Inc.:				
Allocation and donor designated	84,448	-	84,448	89,805
General operations	57,829	-	57,829	63,828
Private grants	121,903	57,919	179,822	123,550
Medicaid	33,546	-	33,546	46,414
In-kind contributions	47,043	-	47,043	35,990
Investment income	87	-	87	410
Miscellaneous income	21,480	-	21,480	10,845
Net assets released from restrictions	<u>66,962</u>	<u>(66,962)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>2,548,495</u>	<u>31,589</u>	<u>2,580,084</u>	<u>2,256,893</u>
EXPENSES:				
Program services	1,895,978	-	1,895,978	1,696,400
Supporting services:				
Management and general	556,274	-	556,274	400,778
Fundraising	<u>216,643</u>	<u>-</u>	<u>216,643</u>	<u>140,499</u>
Total Expenses	<u>2,668,895</u>	<u>-</u>	<u>2,668,895</u>	<u>2,237,677</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>(120,400)</u>	<u>31,589</u>	<u>(88,811)</u>	<u>19,216</u>
CAPITAL CAMPAIGN				
Contributions	11,500	-	11,500	-
Direct expenses	(2,058)	-	(2,058)	(8,978)
Capital Campaign assets released from restrictions	<u>86,658</u>	<u>(86,658)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(24,300)	(55,069)	(79,369)	10,238
NET ASSETS, beginning of year	<u>2,078,513</u>	<u>482,369</u>	<u>2,560,882</u>	<u>2,550,644</u>
NET ASSETS, end of year	<u>\$ 2,054,213</u>	<u>\$ 427,300</u>	<u>2,481,513</u>	<u>2,560,882</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010</u>	Total <u>2009</u>
REVENUES AND SUPPORT:				
Special events	\$ 171,340	\$ -	\$ 171,340	\$ 175,726
Less direct expenses of special events	<u>(91,224)</u>	<u>-</u>	<u>(91,224)</u>	<u>(102,808)</u>
Net special events	80,116	-	80,116	72,918
Grant service contracts	1,577,643	-	1,577,643	1,254,070
Bequests and contributions	220,904	7,388	228,292	210,037
United Way of Central Indiana, Inc.:				
Allocation and donor designated	89,805	-	89,805	91,027
General operations	63,828	-	63,828	69,122
Private grants	47,367	76,183	123,550	65,060
Medicaid	46,414	-	46,414	41,692
In-kind contributions	35,990	-	35,990	37,607
Investment income	410	-	410	494
Miscellaneous income	10,845	-	10,845	-
Net assets released from restrictions	<u>68,643</u>	<u>(68,643)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>2,241,965</u>	<u>14,928</u>	<u>2,256,893</u>	<u>1,842,027</u>
EXPENSES:				
Program services	1,696,400	-	1,696,400	1,691,828
Supporting services:				
Management and general	400,778	-	400,778	115,945
Fundraising	<u>140,499</u>	<u>-</u>	<u>140,499</u>	<u>189,551</u>
Total Expenses	<u>2,237,677</u>	<u>-</u>	<u>2,237,677</u>	<u>1,997,324</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN	<u>4,288</u>	<u>14,928</u>	<u>19,216</u>	<u>(155,297)</u>
CAPITAL CAMPAIGN				
Contributions	-	-	-	8,170
Direct expenses	(8,978)	-	(8,978)	(30,752)
Capital Campaign assets released from restrictions	<u>320,844</u>	<u>(320,844)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	316,154	(305,916)	10,238	(177,879)
NET ASSETS, beginning of year	<u>1,762,359</u>	<u>788,285</u>	<u>2,550,644</u>	<u>2,728,523</u>
NET ASSETS, end of year	<u>\$ 2,078,513</u>	<u>\$ 482,369</u>	<u>2,560,882</u>	<u>2,550,644</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Program Services						Supporting Services			Total 2011	Total 2010	
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Kids Krew	Pulliam Career Development	Total Program Services	Management and General	Fund Raising			Total Supporting Services
Salaries and wages	\$ 285,791	\$ 42,407	\$ 174,735	\$ 240,144	\$ -	\$ 41,379	\$ 784,456	\$ 117,079	\$ 128,045	\$ 245,124	\$ 1,029,580	\$ 858,881
Employee benefits	59,795	6,116	39,286	55,456	-	9,006	169,659	46,162	26,136	72,298	241,957	177,837
Total salaries and related benefits	345,586	48,523	214,021	295,600	-	50,385	954,115	163,241	154,181	317,422	1,271,537	1,036,718
Programs and activities	-	-	690,696	11,369	2,506	1,938	706,509	3,846	163	4,009	710,518	685,069
Contract labor	-	-	-	135,835	-	1,969	137,804	1,455	-	1,455	139,259	125,579
Events and other	412	-	-	-	-	-	412	806	42,267	43,073	43,485	-
Program materials and supplies	-	-	105	-	396	-	501	-	4,682	4,682	5,183	10,146
Office supplies and expendables	399	-	226	914	-	298	1,837	28,069	1,017	29,086	30,923	19,416
Travel and training	1,584	226	5,349	5,848	-	840	13,847	5,510	5,619	11,129	24,976	17,206
Facility maintenance	-	-	-	-	-	-	-	61,576	75	61,651	61,651	39,433
Insurance	1,647	102	907	1,396	-	204	4,256	2,961	574	3,535	7,791	15,819
Utilities	-	-	-	12,100	-	2,728	14,828	30,953	-	30,953	45,781	24,534
Advertising and promotion	-	-	-	1,156	-	-	1,156	2,237	9,961	12,198	13,354	19,732
Professional services and fees	857	10	41,278	12,849	-	551	55,545	88,488	4,378	92,866	148,411	89,087
Printing and publications	805	-	192	1,821	-	-	2,818	5,042	4,234	9,276	12,094	9,569
Postage	-	-	-	36	-	-	36	4,703	1,488	6,191	6,227	6,154
Depreciation	-	-	-	-	-	-	-	96,645	-	96,645	96,645	110,609
Interest	-	-	-	-	-	-	-	25	-	25	25	473
Telephone	-	-	-	-	-	-	-	7,613	-	7,613	7,613	7,923
Meetings/hospitality	105	-	106	1,183	-	-	1,394	3,386	1,275	4,661	6,055	8,414
Personnel	-	-	-	-	-	-	-	3,800	-	3,800	3,800	14,141
Bad debt expense	-	-	-	-	-	-	-	37,390	-	37,390	37,390	-
Miscellaneous	-	-	20	900	-	-	920	8,528	49,721	58,249	59,169	88,879
Total direct program expenses	351,395	48,861	952,900	481,007	2,902	58,913	1,895,978	556,274	279,635	835,909	2,731,887	2,328,901
Less direct expenses of special events	-	-	-	-	-	-	-	-	(62,992)	(62,992)	(62,992)	(91,224)
TOTAL EXPENSES	\$ 351,395	\$ 48,861	\$ 952,900	\$ 481,007	\$ 2,902	\$ 58,913	\$ 1,895,978	\$ 556,274	\$ 216,643	\$ 772,917	\$ 2,668,895	\$ 2,237,677

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Program Services						Supporting Services					Total 2010	Total 2009
	Care Coordination	Third Party Contracts Facilitation	Housing & Emergency Assistance	Prevention	Kids Krew	Pulliam Career Development	Total Program Services	Management and General	Fund Raising	Total Supporting Services			
Salaries and wages	\$ 278,624	\$ 27,638	\$ 105,982	\$ 223,483	\$ -	\$ 3,542	\$ 639,269	\$ 121,665	\$ 97,947	\$ 219,612	\$ 858,881	\$ 788,503	
Employee benefits	59,065	2,177	24,420	36,426	-	775	122,863	34,324	20,650	54,974	177,837	161,371	
Total salaries and related benefits	337,689	29,815	130,402	259,909	-	4,317	762,132	155,989	118,597	274,586	1,036,718	949,874	
Programs and activities	-	-	647,368	-	52	-	647,420	-	37,649	37,649	685,069	567,722	
Contract labor	-	-	-	124,266	-	-	124,266	1,313	-	1,313	125,579	1,033	
Events and other	-	-	-	-	-	-	-	-	-	-	-	97,639	
Program materials and supplies	-	1,093	-	2,898	1,777	-	5,768	-	4,378	4,378	10,146	15,907	
Office supplies and expendables	2,492	-	363	6,305	-	-	9,160	9,889	367	10,256	19,416	23,735	
Travel and training	1,015	-	739	12,570	-	-	14,324	2,781	101	2,882	17,206	16,091	
Facility maintenance	-	-	-	-	-	-	-	39,433	-	39,433	39,433	57,627	
Insurance	-	-	-	3,500	-	-	3,500	12,319	-	12,319	15,819	26,587	
Utilities	-	-	-	4,125	-	-	4,125	20,409	-	20,409	24,534	23,967	
Advertising and promotion	-	4,325	3,840	1,527	-	-	9,692	1,250	8,790	10,040	19,732	19,353	
Professional services and fees	-	-	7,605	10,950	-	-	18,555	70,529	3	70,532	89,087	79,302	
Printing and publications	642	1,235	127	346	-	-	2,350	3,879	3,340	7,219	9,569	13,477	
Postage	-	-	-	-	-	-	-	4,491	1,663	6,154	6,154	5,667	
Depreciation	41,720	8,396	4,907	18,775	-	-	73,798	24,540	12,271	36,811	110,609	105,382	
Interest	-	-	-	-	-	-	-	473	-	473	473	2,355	
Telephone	-	-	-	-	-	-	-	7,923	-	7,923	7,923	8,998	
Meetings/hospitality	-	1,350	35	151	-	-	1,536	5,660	1,218	6,878	8,414	1,422	
Personnel	1,413	-	4,124	1,398	-	-	6,935	2,163	5,043	7,206	14,141	205	
Miscellaneous	84	-	10,005	2,750	-	-	12,839	37,737	38,303	76,040	88,879	83,789	
Total direct program expenses	385,055	46,214	809,515	449,470	1,829	4,317	1,696,400	400,778	231,723	632,501	2,328,901	2,100,132	
Less direct expenses of special events	-	-	-	-	-	-	-	-	(91,224)	(91,224)	(91,224)	(102,808)	
TOTAL EXPENSES	\$ 385,055	\$ 46,214	\$ 809,515	\$ 449,470	\$ 1,829	\$ 4,317	\$ 1,696,400	\$ 400,778	\$ 140,499	\$ 541,277	\$ 2,237,677	\$ 1,997,324	

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants, contributions, and fees	\$ 2,691,387	\$ 2,482,654
Interest received	87	410
Cash paid to vendors	(1,614,335)	(1,354,900)
Salaries and wages paid	(1,022,793)	(853,608)
Interest paid	<u>(25)</u>	<u>(473)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>54,321</u>	 <u>274,083</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,155)	(19,719)
Proceeds (purchases) of certificates of deposit	<u>(250,000)</u>	<u>-</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(259,155)</u>	 <u>(19,719)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions, net of direct expenses	9,442	(8,978)
Repayment of long-term debt	<u>(100,000)</u>	<u>(250,000)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(90,558)</u>	 <u>(258,978)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (295,392)	 (4,614)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>598,768</u>	<u>603,382</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 303,376</u>	<u>\$ 598,768</u>
 RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (79,369)	\$ 10,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	96,645	110,609
Provision for bad debt	80,000	40,000
Capital campaign contributions, net of direct expenses	(9,442)	8,978
Decrease (increase) in accounts receivable	(31,602)	94,947
Increase in prepaid expenses	(1)	(716)
Increase (decrease) in accounts payable	(8,697)	4,754
Increase (decrease) in accrued expenses	<u>6,787</u>	<u>5,273</u>
 NET CASH FROM OPERATING ACTIVITIES	 <u>\$ 54,321</u>	 <u>\$ 274,083</u>
 NONCASH TRANSACTIONS:		
In-kind donations	<u>\$ 47,043</u>	<u>\$ 35,990</u>

See accompanying notes to the financial statements.

THE DAMIEN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

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

Temporarily restricted net assets - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of December 31, 2011 and 2010, the Center had temporary restrictions on a portion of its net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on the related investments for general or specific purposes. As of December 31, 2011 and 2010, the Center had no permanently restricted net assets.

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

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

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

Depreciation expense was \$96,645 and \$110,609 for the years ended December 31, 2011 and 2010, respectively.

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

Non-cash, in-kind contributions are recorded at fair market value and recognized as revenue in the accounting period when they are received. The Center received \$47,043 and \$35,990 of in-kind contributions during 2011 and 2010, respectively. These contributions were for special events, the food pantry, and professional services. In-kind donations have been treated as non-cash transactions for the purpose of the statement of cash flows.

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

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

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

Amounts due in:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 40,000	\$ 64,920
One to five years	<u>40,000</u>	<u>50,000</u>
Total pledges receivable	80,000	114,920
Allowance for doubtful pledges	(80,000)	(40,000)
Less discounts to net present value (2.62%)	<u>-</u>	<u>(3,702)</u>
Net pledges receivable	<u>\$ -</u>	<u>\$ 71,218</u>

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

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

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

Impairment of Long-Lived Assets - The Center evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended December 31, 2011 and 2010.

Advertising - The Center incurred \$13,354 and \$19,732 in advertising expense for the years ended December 31, 2011 and 2010, respectively. These costs were expensed as incurred.

Income Taxes - The Center is a not-for-profit voluntary health and welfare organization, other than a private foundation, that is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Center's financial statements.

The Center has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the Center is subject to examination by taxing authorities. The Center's tax returns for years subsequent to fiscal 2007 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Center currently files or has filed with.

NOTE 2 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

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

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

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

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

NOTE 3 - LINE OF CREDIT

The Center maintains a \$100,000 line of credit to support short-term working capital needs, which expires on November 21, 2012. Interest is payable monthly and accrues at the bank's prime rate (4.00% at December 31, 2011). Borrowings against the line of credit are secured by the assets of the Center. At December 31, 2011 and 2010, there was no outstanding credit.

NOTE 4 - BONDS PAYABLE

Bonds payable as of December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Bonds payable to bank in yearly principal installments of \$100,000 plus interest at 65% of the bank's prime rate plus 87 points through January 2012, with a final payment due in March 2012. The bonds are secured by substantially all the Center's assets.	\$ 56,553	\$ 156,553
Less current portion	<u>(56,553)</u>	<u>(100,000)</u>
Long term portion	<u>\$ -</u>	<u>\$ 56,553</u>

NOTE 5 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Capital Campaign	\$ 132,309	\$ 218,967
Client Assurance Fund	150,000	150,000
2012 Operations	-	-
2012 Programs:	133,198	101,165
Programs include Legal Services, Client Educations, Prevention Outreach and Testing, and Care Coordination		
Transportation Programs - Angels for Wheels	92	1,337
Food/Nutrition Program	<u>11,701</u>	<u>10,900</u>
	<u>\$ 427,300</u>	<u>\$ 482,369</u>

The temporarily restricted net assets released from restrictions during 2011 were for Operations, Transportation Program, Prevention Outreach and Testing, and Care Coordination professional development.

NOTE 6 - OPERATING LEASES

The Center leases copiers under two operating leases which require monthly payments of \$663 and \$298 through March 2016 and \$298 through December 2015. The Center leased a new postage meter in 2008 which require quarterly payments of \$182 through October 2013. Lease expense related to operating leases in 2011 and 2010 was \$11,336 and \$9,514, respectively. The following is a schedule by years of future minimum lease payments.

<u>Year</u>	<u>Amount</u>
2012	\$ 10,010
2013	8,684
2014	<u>3,258</u>
	<u>\$ 21,952</u>

NOTE 7 - EMPLOYEE BENEFITS

On January 1, 2007, the Center adopted a 403(b) plan for employees who meet certain eligibility requirements. The plan permits eligible employees, through payroll deductions, to contribute up to \$16,500 annually; employees age 50 and over can contribute an additional contribution of \$5,500. Matching contributions to the plan are at the discretion of the Center's Board of Directors. There were no matching contributions to the plan by the Center during 2011 and 2010.

NOTE 8 - FUTURE GRANT AUDITS

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

NOTE 9 - CONCENTRATIONS

The Center maintains its cash accounts at a regional bank. Accounts at this bank are guaranteed by the FDIC up to \$250,000. There was \$53,376 and \$348,768 in excess of insured limits at December 31, 2011 and 2010, respectively.

During 2011 and 2010, the Center received _____ - and 51%, respectively, of its total revenue from government agencies for two of its programs; Housing & Emergency Assistance and Care Coordination.

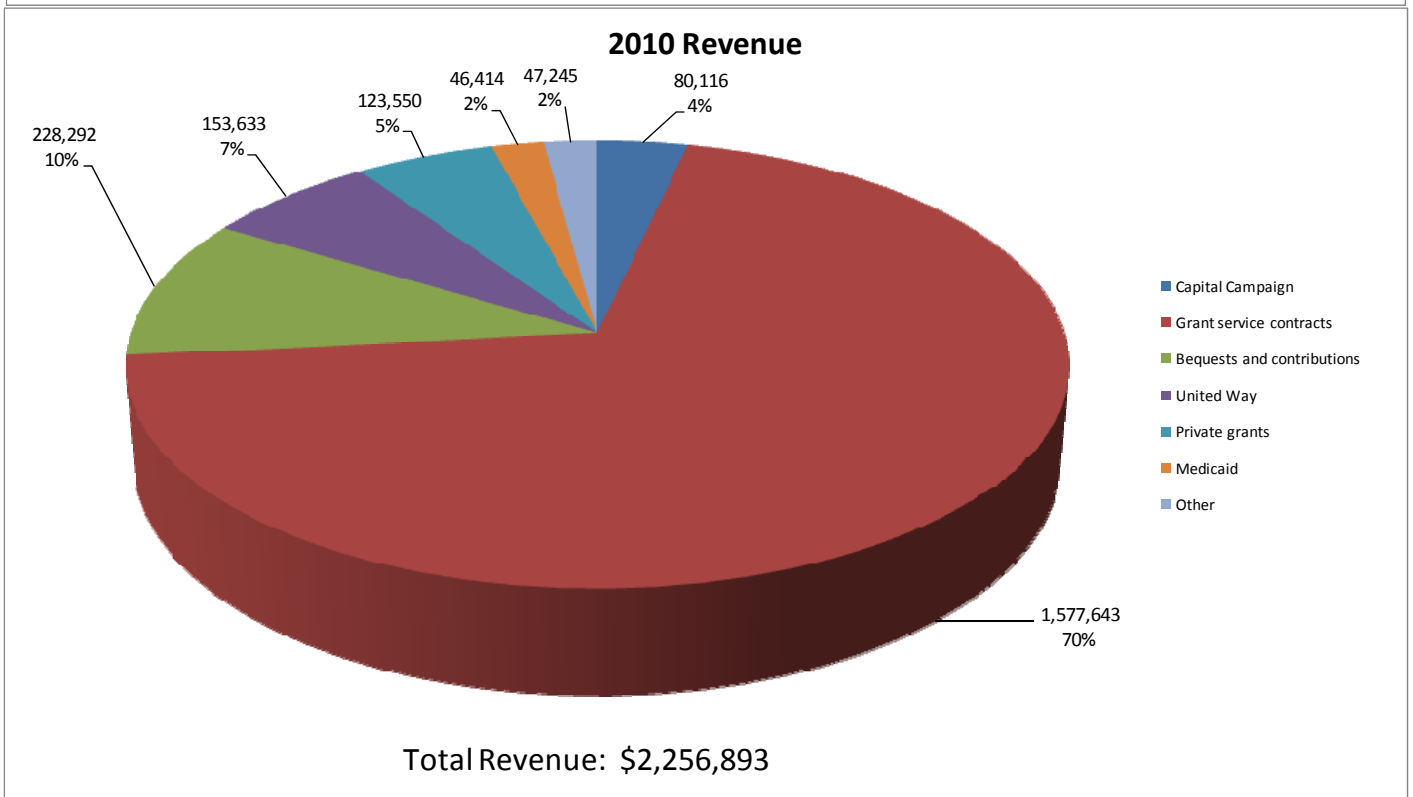
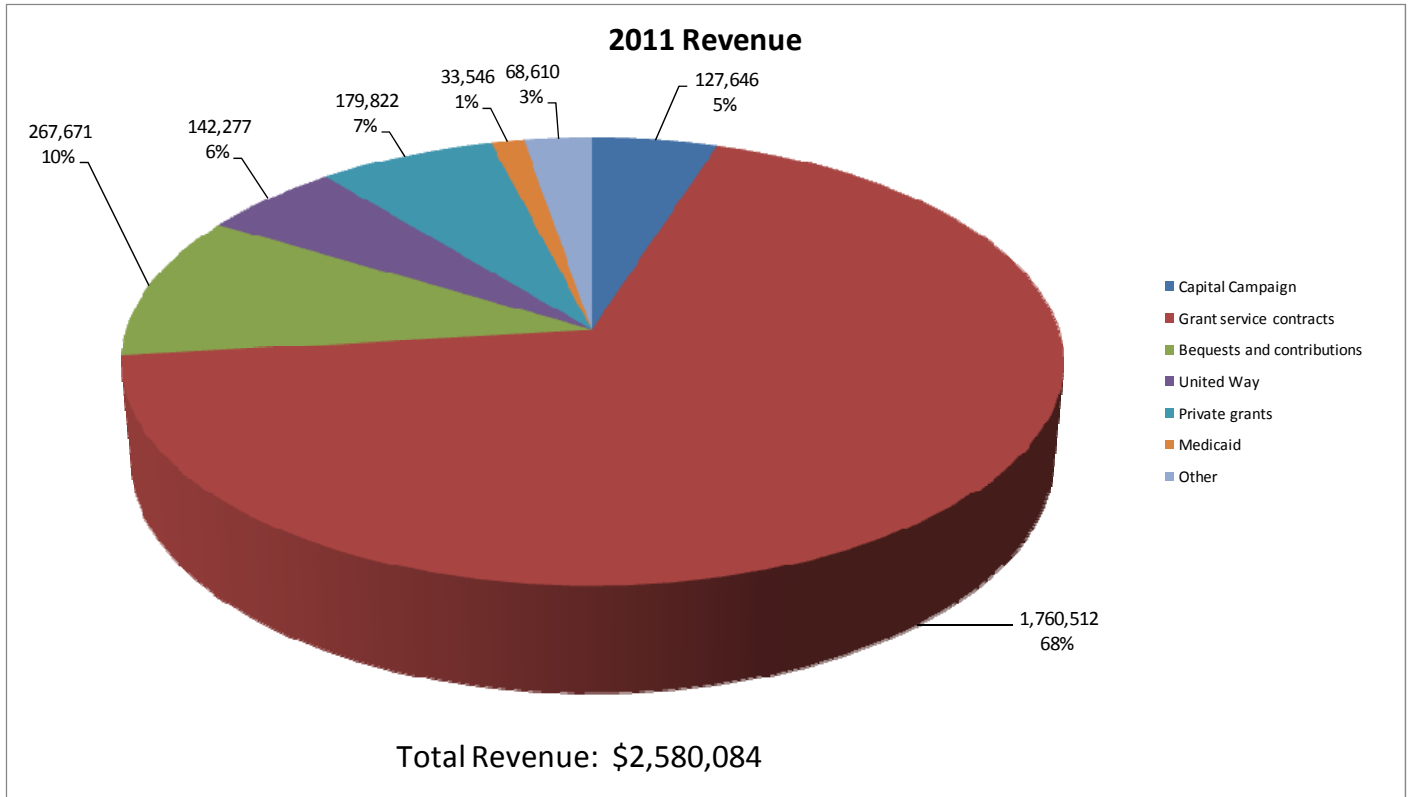
NOTE 10 - SUBSEQUENT EVENT

In preparing these financial statements, the Center has evaluated subsequent events and transactions for potential recognition or disclosure through March 19, 2012, the date the financial statements were available to be issued.

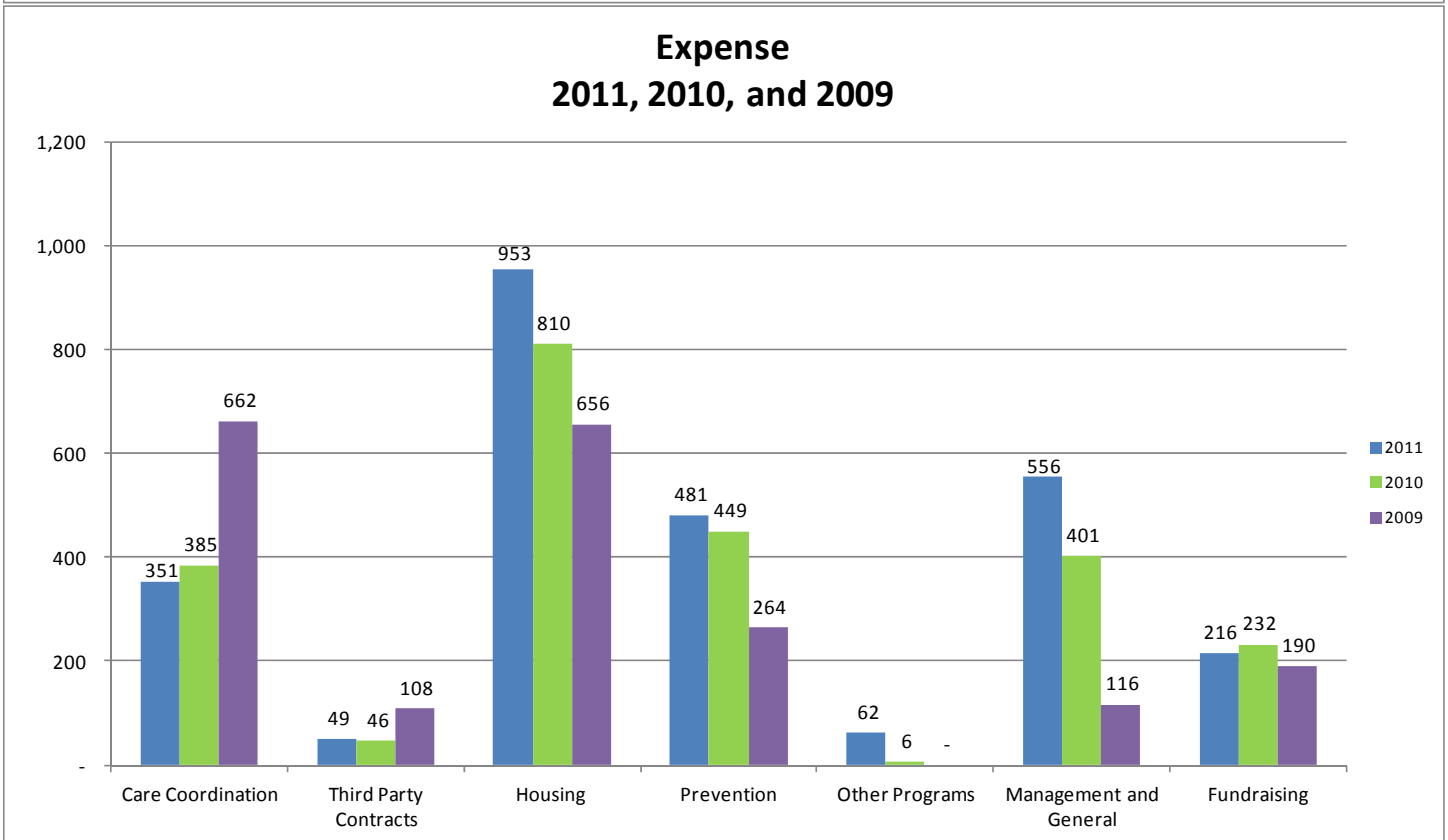
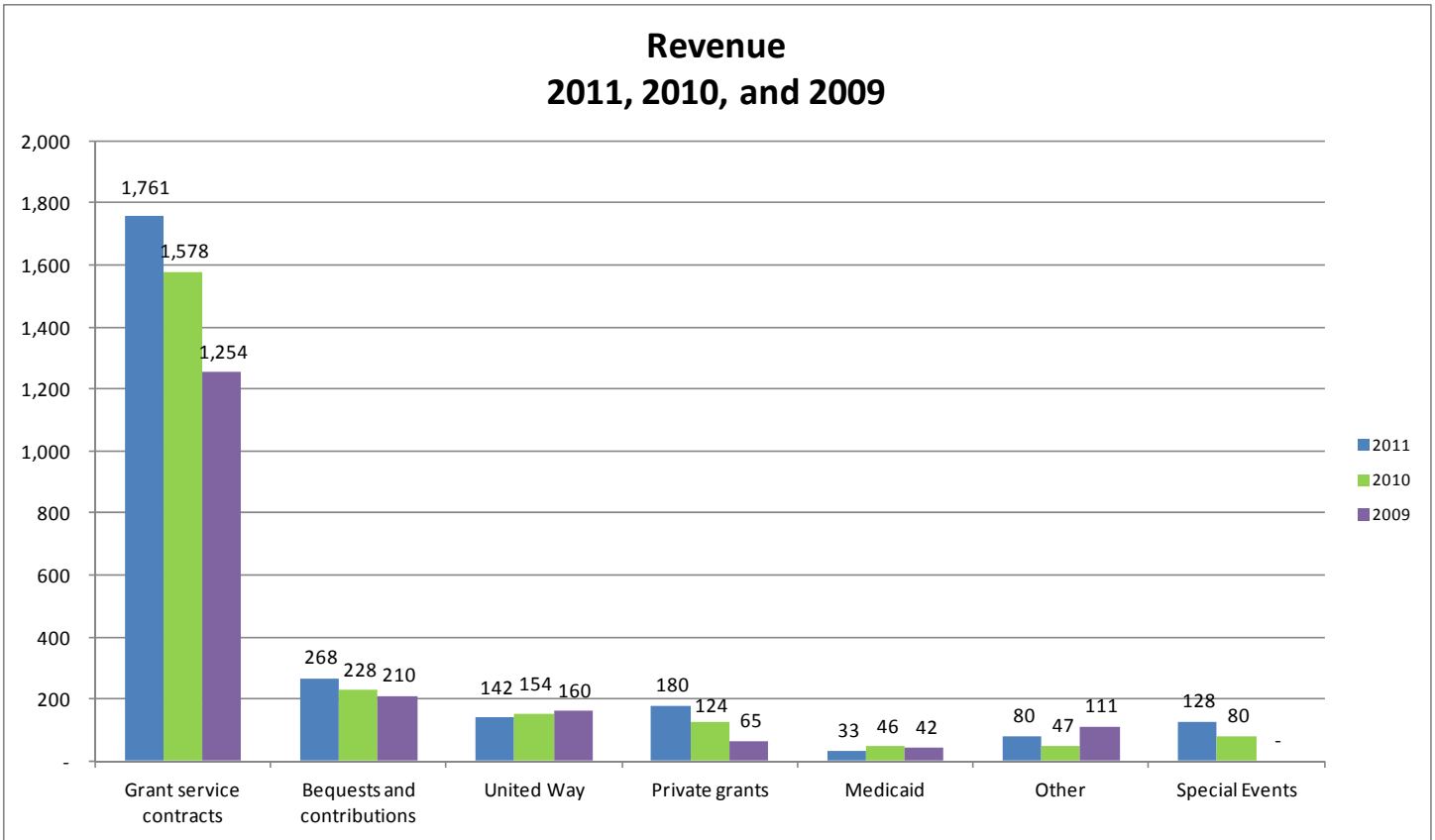
On January 10, 2012, based on board approval and direction, the Center paid the remaining balance of its long-term debt. After repayment of the balance, the Center had no outstanding long-term debt.

SUPPLEMENTARY INFORMATION

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



THE DAMIEN CENTER, INC.
REVENUE AND EXPENSE GRAPHS
DECEMBER 31, 2011, 2010 AND 2009



SINGLE AUDIT SECTION

THE DAMIEN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Substance Abuse and Mental Health Services Administration (SAMSHA)	93.243	\$ <u>311,390</u>
Pass-Through Programs from Indiana State Department of Health:		
Indiana State Department of Health, State AIDS Special Project 670-7	93.006	47,990
Indiana State Department of Health, State AIDS Care Coordination	93.667	342,284
Indiana State Department of Health, Community Planning, and State Aids Prevention Management	93.940	81,930
HIV Surveillance	93.944	<u>46,088</u>
Total Pass-Through Programs from Indiana State Department of Health		<u>518,292</u>
Pass-Through Programs from Marion County Health Department:		
MCHD, Part A Emergency Relief	93.914	195,186
MCHD, Early Intervention Title IIIb	93.918	<u>30,000</u>
Total Pass-Through Programs from Marion County Health Department		<u>225,186</u>
Total U.S. Department of Health and Human Services		<u>1,054,868</u>
U.S. Department of Housing and Urban Development		
Pass-Through Programs from Department of Metropolitan Development - City of Indianapolis:		
Housing Opportunities for People With AIDS (Direct Emergency Financial Assistance included)	14.241	<u>619,074</u>
Total Pass-Through Programs from Department of Metropolitan Development - City of Indianapolis		<u>619,074</u>
Total U.S. Department of Housing and Urban Development		<u>619,074</u>
Total Expenditures of Federal Awards		<u>\$ 1,673,942</u>

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

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

See independent auditor's report.



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

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

We have audited the financial statements of The Damien Center, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 disclose 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.'s in a separate letter dated March 19, 2012.

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.

Handwritten signature of Sikich, LLP in black ink.

Sikich LLP

Indianapolis, Indiana
March 19, 2012



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB A-133**

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

Compliance

We have audited The Damien Center, Inc.'s compliance with types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Damien Center, Inc.'s major federal programs for the year ended December 31, 2011. 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 audits 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, 2011.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of The Damien Center, Inc.'s internal control over compliance.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control that might be deficiencies, 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.



Sikich LLP

Indianapolis, Indiana
March 19, 2012

THE DAMIEN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

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

Government Auditing Statements

Internal control over financial reporting:

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

Compliance:

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

OMB Circular A-133:

Internal control over major programs:

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

Compliance with requirements applicable to each major program:

- Identification of major programs: **14.241 Housing Opportunities for People with Aids**
- Dollar threshold used to distinguish between type A type B programs: **\$ 300,000**
- Auditee qualified as low-risk auditee? X Yes _____ No
- Type of auditors’ report issued on compliance for major programs: **unqualified**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

- *None*

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

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