

UNITED FAMILY SERVICES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007

**UNITED FAMILY SERVICES, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7
NOTES TO FINANCIAL STATEMENTS	11
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	24

INDEPENDENT AUDITORS' REPORT

Board of Directors
United Family Services, Inc.
Charlotte, North Carolina

We have audited the accompanying statements of financial position of United Family Services, Inc. (the "Agency") as of June 30, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. We also conducted our audit in accordance with 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 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 United Family Services, Inc. as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the Agency'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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal and State Awards on page 24 is presented for purposes of additional analysis as required by the Office of the State Auditor, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LarsonAllen LLP
LarsonAllen LLP

Charlotte, North Carolina
October 30, 2008

UNITED FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS	2008	2007
Cash and Cash Equivalents	\$ 257,095	\$ 381,909
Investments	307,970	302,571
Beneficial Interest in Assets Held by Trustee	9,487	9,979
Accounts Receivable		
United Way Allocation	1,750,621	1,621,175
Grants and Pledges Receivable, Net	2,217,910	901,856
Other	46,311	49,753
Prepaid Expenses	145,429	130,419
Prepaid Pension Costs	770,335	1,027,236
Furniture, Fixtures and Equipment, Net	108,676	98,060
Total Assets	\$ 5,613,834	\$ 4,522,958
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 65,134	\$ 92,937
Accrued Payroll and Benefits	167,135	155,639
Deferred Revenue	17,896	17,052
Total Liabilities	250,165	265,628
NET ASSETS		
Unrestricted	1,356,950	1,653,113
Unrestricted - Board Designated for Equipment	40,496	56,504
Temporarily Restricted	3,956,736	2,537,734
Permanently Restricted	9,487	9,979
Total Net Assets	5,363,669	4,257,330
Total Liabilities and Net Assets	\$ 5,613,834	\$ 4,522,958

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program Fees	\$ 1,220,901	\$ -	\$ -	\$ 1,220,901
Public Support				
United Way	-	1,750,621	-	1,750,621
Government	-	3,487,517	-	3,487,517
Other Contributions & Grants	358,019	468,123	-	826,142
Interest	22,933	-	-	22,933
Other Income (Loss)	(1,569)	-	(492)	(2,061)
Revenues and Other Support	1,600,284	5,706,261	(492)	7,306,053
Net Assets Released from Restrictions				
United Way	1,597,682	(1,597,682)	-	-
Government	1,981,382	(1,981,382)	-	-
Other Contributions & Grants	708,195	(708,195)	-	-
Total Net Assets Released from Restrictions	4,287,259	(4,287,259)	-	-
 Total Revenues and Other Support	5,887,543	1,419,002	(492)	7,306,053
EXPENSES				
Program Services:				
Counseling and Education	1,603,218	-	-	1,603,218
Crisis Intervention & Advocacy	990,828	-	-	990,828
Domestic Violence	1,480,593	-	-	1,480,593
Employee Assistance Program	111,411	-	-	111,411
Economic Independence	922,276	-	-	922,276
Total Program Services	5,108,326	-	-	5,108,326
Supporting Services:				
Administrative	805,139	-	-	805,139
Fundraising	286,249	-	-	286,249
Total Supporting Services	1,091,388	-	-	1,091,388
 Total Expenses	6,199,714	-	-	6,199,714
INCREASE (DECREASE) IN NET ASSETS	(312,171)	1,419,002	(492)	1,106,339
Net Assets - Beginning of Year	1,709,617	2,537,734	9,979	4,257,330
NET ASSETS - END OF YEAR	\$ 1,397,446	\$ 3,956,736	\$ 9,487	\$ 5,363,669

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program Fees	\$ 1,268,674	\$ -	\$ -	\$ 1,268,674
Public Support				
United Way	-	1,706,899	-	1,706,899
Government	-	1,904,286	-	1,904,286
Other Contributions & Grants	422,627	557,719	1,514	981,860
Interest	13,418	-	-	13,418
Other Income	2,578	-	-	2,578
Gain on Pension Curtailment	317,841	-	-	317,841
Revenues and Other Support	2,025,138	4,168,904	1,514	6,195,556
 Net Assets Released from Restrictions				
United Way	1,622,329	(1,622,329)	-	-
Government	1,931,381	(1,931,381)	-	-
Other Contributions & Grants	703,888	(703,888)	-	-
Total Net Assets Released from Restrictions	4,257,598	(4,257,598)	-	-
 Total Revenues and Other Support	6,282,736	(88,694)	1,514	6,195,556
 EXPENSES				
Program Services:				
Counseling and Education	1,490,690	-	-	1,490,690
Crisis Intervention & Advocacy	848,777	-	-	848,777
Domestic Violence	1,470,216	-	-	1,470,216
Employee Assistance Program	110,893	-	-	110,893
Economic Independence	866,528	-	-	866,528
Total Program Services	4,787,104	-	-	4,787,104
 Supporting Services:				
Administrative	750,998	-	-	750,998
Fundraising	236,608	-	-	236,608
Total Supporting Services	987,606	-	-	987,606
 Total Expenses	5,774,710	-	-	5,774,710
 INCREASE (DECREASE) IN NET ASSETS	508,026	(88,694)	1,514	420,846
 Net Assets - Beginning of Year	1,201,591	2,626,428	8,465	3,836,484
 NET ASSETS - END OF YEAR	\$ 1,709,617	\$ 2,537,734	\$ 9,979	\$ 4,257,330

See accompanying Notes to Financial Statements.

**UNITED FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,106,339	\$ 420,846
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation	47,755	50,196
Loss on Disposal of Assets	2,993	-
Unrealized (Gain) Loss on Permanent Endowments	492	(1,514)
Changes in Operating Assets and Liabilities		
Accounts Receivable	(1,442,058)	69,237
Prepaid Expenses	241,891	(218,123)
Accounts Payable	(27,803)	42,705
Accrued Payroll and Benefits	11,496	3,636
Deferred Revenue	844	4,127
Net Cash Provided by (Used in) Operating Activities	(58,051)	371,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Furniture, Fixtures and Equipment	(61,364)	(56,037)
Purchase of Investments	(402,570)	(411,686)
Sales of Investments	397,171	317,790
Net Cash Used in Investing Activities	(66,763)	(149,933)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124,814)	221,177
Cash and Cash Equivalents - Beginning of Year	381,909	160,732
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 257,095	\$ 381,909

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Counseling & Education	Crisis Intervention & Advocacy	Domestic Violence	Employee Assistance Program
Salaries	\$ 914,582	\$ 575,302	\$ 822,070	\$ 55,844
Employee Benefits	229,872	131,428	221,498	17,185
Payroll Taxes	73,207	48,344	64,186	4,382
Total Salaries & Related Expenses	1,217,661	755,074	1,107,754	77,411
Contracted & Professional Services	100,966	38,868	102,538	7,632
Food, Printing, Office & Program Supplies	24,184	30,346	52,503	3,068
Telephone & Internet	11,456	11,964	15,409	7,506
Postage & Shipping	3,155	2,486	1,169	238
Rent & Utilities	167,586	85,316	39,485	5,992
Insurance	5,210	3,304	4,897	251
Equipment & Maintenance	18,474	11,907	12,909	565
Subscriptions & Publications	569	223	354	998
Travel, Training & Conferences	10,283	19,708	22,330	2,523
Dues	3,615	2,988	2,969	1,255
Financial Assistance	62	64	86,951	-
In-Kind & Miscellaneous	28,885	17,432	27,010	3,504
Capital Campaign	-	-	-	-
Total Other Expenses	374,445	224,606	368,524	33,532
Total Expenses Before Depreciation	1,592,106	979,680	1,476,278	110,943
Depreciation	11,112	11,148	4,315	468
Total Expenses	\$ 1,603,218	\$ 990,828	\$ 1,480,593	\$ 111,411

See accompanying Notes to Financial Statements.

<u>Economic Independence</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
\$ 422,698	\$ 422,179	\$ 100,751	\$ 3,313,426
137,578	110,238	38,350	886,149
34,710	32,217	8,297	265,343
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594,986	564,634	147,398	4,464,918
130,406	66,987	6,413	453,810
13,207	39,427	44,447	207,182
10,667	2,931	265	60,198
2,091	4,282	13,905	27,326
78,989	40,693	9,886	427,947
2,654	14,571	414	31,301
16,973	12,551	5,362	78,741
4,095	1,446	-	7,685
15,210	13,201	-	83,255
18,284	5,793	545	35,449
-	-	-	87,077
28,918	25,559	23,262	154,570
-	-	32,500	32,500
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321,494	227,441	136,999	1,687,041
916,480	792,075	284,397	6,151,959
5,796	13,064	1,852	47,755
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\$ 922,276	\$ 805,139	\$ 286,249	\$ 6,199,714

UNITED FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007

	Counseling & Education	Crisis Intervention & Advocacy	Domestic Violence	Employee Assistance Program
Salaries	\$ 804,279	\$ 507,672	\$ 794,202	\$ 60,550
Employee Benefits	163,832	83,220	161,477	13,911
Payroll Taxes	65,297	42,462	66,050	4,990
Total Salaries & Related Expenses	1,033,408	633,354	1,021,729	79,451
Contracted & Professional Services	191,253	42,941	233,140	6,116
Food, Printing, Office & Program Supplies	23,755	23,043	57,368	1,453
Telephone & Internet	12,984	12,241	14,418	8,637
Postage & Shipping	3,425	2,209	718	190
Rent & Utilities	139,139	65,993	25,946	5,662
Insurance	7,109	4,110	6,852	354
Equipment & Maintenance	19,622	10,308	14,257	656
Subscriptions & Publications	223	527	865	898
Travel, Training & Conferences	15,082	17,732	23,436	2,465
Dues	2,998	2,291	2,762	1,040
Financial Assistance	36	6	37,730	-
In-Kind & Miscellaneous	30,549	22,878	24,207	3,507
Total Other Expenses	446,175	204,279	441,699	30,978
Total Expenses Before Depreciation	1,479,583	837,633	1,463,428	110,429
Depreciation	11,107	11,144	6,788	464
Total Expenses	\$ 1,490,690	\$ 848,777	\$ 1,470,216	\$ 110,893

See accompanying Notes to Financial Statements.

Economic Independence	Administrative	Fundraising	Total
\$ 409,321	\$ 422,391	\$ 107,351	\$ 3,105,766
101,127	78,846	28,378	630,791
33,694	32,951	8,610	254,054
544,142	534,188	144,339	3,990,611
126,222	52,772	3,407	655,851
14,270	31,326	24,810	176,025
10,032	3,178	317	61,807
2,500	6,791	11,342	27,175
83,345	39,136	9,348	368,569
4,174	7,157	561	30,317
14,887	17,566	4,481	81,777
1,106	2,620	-	6,239
11,002	9,308	-	79,025
20,066	6,015	354	35,526
-	10	-	37,782
28,996	27,773	35,900	173,810
316,600	203,652	90,520	1,733,903
860,742	737,840	234,859	5,724,514
5,786	13,158	1,749	50,196
\$ 866,528	\$ 750,998	\$ 236,608	\$ 5,774,710

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 ORGANIZATION AND PURPOSE

United Family Services, Inc. (the "Agency") provides various counseling services and support for families and individuals in Mecklenburg, South Iredell, Cabarrus and Union Counties in North Carolina. The Agency is a non-stock, nonprofit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Program services are provided in the following areas:

Counseling & Education

Counseling

- Individual, couple, group, and family therapy

Parent Education

- Discipline for elementary-age children
- Parenting adolescents
- Balancing work and family
- Divorce education and support

Crisis Intervention & Advocacy

Child Abuse Prevention

- Child abuse prevention, awareness and education

Rape Crisis

- 24-hour, seven-day-a-week rape crisis response and counseling

Victim Assistance

- Advocacy, counseling and support for the victims and families affected by crime
- Crime victim's compensation guidance

Domestic Violence Services

- 24-hour domestic violence hotline
- Temporary residence for domestic violence survivors
- Domestic violence counseling, education and survivor support
- Advocacy, counseling and support for victims and families affected by domestic assault

Employee Assistance Program

- Employer, employee counseling and consultation

Economic Independence

Consumer Credit Counseling

- Money management, budgeting assistance, debt repayment
- Credit education, counseling

Housing Services

- Rent, mortgage delinquency counseling
- Reverse equity mortgage counseling

**UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 ACCOUNTING POLICIES

The more significant accounting policies followed by the Agency are as follows:

Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. The Agency reports 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.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program Fee Revenue

Program fee revenue consists of fee for service charges to clients and third-party payors such as insurance companies and companies contracting for the Employee Assistance Program (EAP) clients. These amounts also include contributions from creditors of a percentage of the debt owed returned to them through consumer credit debt management plans. These funds are recorded on a cash basis during the year and a receivable is calculated at year-end along with an estimated allowance for uncollectible amounts.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investment accounts with original maturities less than three months. The Agency maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, the Agency may maintain bank account balances in excess of the FDIC insured limit of \$100,000. Effective October 1, 2008 the FDIC raised the insured limit to \$250,000. The Agency believes they are not exposed to any significant cash credit risk.

Investments

Investments include Certificates of Deposit with original maturity dates greater than three months. These investments are carried at an amount that approximates fair market value.

Accounts Receivable

Accounts receivable include trade accounts receivable generated through program services provided, unconditional pledges, and amounts due under various grants.

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Furniture, Fixtures and Equipment

Purchased furniture, fixtures and equipment are carried at cost and donated assets are recorded at their fair market value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Maintenance, repair costs and minor replacements are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected in current operations.

Deferred Revenue

Deferred revenue is comprised of cash collected in advance for employee assistance contracts for services that will be provided subsequent to year end.

Net Assets

Net assets and related revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of United Family Services and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained by United Family Services. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Estimates

Management of the Agency has made a number of estimates and assumptions relating to reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

**UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting activities, primarily by full-time equivalents (FTEs).

NOTE 3 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment at June 30, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Furniture and Fixtures	\$ 24,769	\$ 26,693
Equipment	239,362	286,939
Leasehold Improvements	55,118	48,204
Computer Software	<u>221,674</u>	<u>229,558</u>
	540,923	591,394
Less: Accumulated Depreciation	<u>(432,247)</u>	<u>(493,334)</u>
	<u>\$ 108,676</u>	<u>\$ 98,060</u>

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, which are included in accounts receivable – grants and pledges receivable, net in the Statements of Financial Position, consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Due in Less than One Year	\$ 15,514	\$ 18,795
Due in Two to Five Years	<u>45,260</u>	<u>72,950</u>
	60,774	91,745
Less: Discount to Present Value (5.5%)	(19,904)	(26,225)
Less: Allowance for Uncollectible Pledges	<u>(22,457)</u>	<u>(25,565)</u>
Pledges Receivable, Net	<u>\$ 18,413</u>	<u>\$ 39,955</u>

**UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 5 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
United Family Services Endowment	\$ 1,694	\$ 1,782
Shelter for Battered Women Endowment	7,793	8,197
	<u>\$ 9,487</u>	<u>\$ 9,979</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
United Way Allocation for the Subsequent Year	\$ 1,750,621	\$ 1,621,175
Grant Allocations for the Subsequent Year	2,160,580	785,263
Pledges Receivable, Net	18,413	39,955
Shelter for Battered Women		
Kim Thomas Fund	3,435	3,435
Rent Subsidy Program	-	6,101
General Funds	-	726
Phillip Morris Silent Witness	1,924	1,924
Bank of America Technology Grant	16,510	73,902
Jim Johnson Funds	5,253	5,253
	<u>\$ 3,956,736</u>	<u>\$ 2,537,734</u>

**UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Program Restrictions		
Shelter for Battered Women	\$ 6,879	\$ 46,687
Bank of America Technology Fund	57,391	110,261
Cannon Fund	-	26,559
	<u>64,270</u>	<u>183,507</u>
Total Program Restrictions		183,507
Time Restrictions		
United Way	1,597,682	1,622,329
Contributions and Grants	<u>2,625,307</u>	<u>2,451,762</u>
	<u>4,222,989</u>	<u>4,074,091</u>
Total Time Restrictions		4,074,091
Total Net Assets Released from Restrictions	<u>\$ 4,287,259</u>	<u>\$ 4,257,598</u>

NOTE 8 RETIREMENT PLANS

Defined Benefit Retirement Plan

The Agency provides a noncontributory defined benefit retirement plan (the "Plan") which is administered by Mutual of America Life Insurance Company, Inc. The Plan covers substantially all employees and provides retirement benefits generally based on years of service and the average of the highest earnings over any 36 consecutive months during the last ten years of employment. The Agency's funding policy provides that payments to the plan shall be at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

On May 1, 2007, the Agency approved a plan amendment freezing the Plan effective June 30, 2007. The intent was to terminate the Plan as soon as is administratively feasible. The investment objective of the Plan, taking into account the projected termination was to transfer all investments to money market funds to preserve the assets of the Plan and to reduce investment volatility. On or about May 23, 2008 these funds were transferred into the General Account of Mutual of America to increase the investment annual return rate from 2.1% to 3.0% while continuing preservation of the assets of the Plan and reduction of investment volatility.

No plan assets are expected to be returned to the Agency during July 1, 2008 to June 30, 2009. However, once the Plan termination is completed, the excess assets over plan termination liabilities will be returned to the Agency. It is the current intent of the Board of Directors to utilize a significant portion of any excess assets to make additional contributions to the 403(b) defined contribution plan for those employees most affected by the Plan termination.

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8 RETIREMENT PLANS (CONTINUED)

Employer contributions for the years ended June 30, 2008 and 2007 were approximately \$0 and \$86,000, respectively. Net periodic benefit cost for the years ended June 30, 2008 and 2007 was approximately \$6,000 and \$155,000, respectively. Benefits paid were approximately \$216,000 and \$254,000 for the years ended June 30, 2008 and 2007, respectively.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158). This Statement requires employers to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through unrestricted net assets.

The following table sets forth the Plan's funded status and amounts recognized in the statements of financial position at June 30, 2008 and 2007:

	2008	2007
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	\$ 4,095,572	\$ 3,789,067
Service Cost	7,568	252,143
Interest Cost	190,294	244,314
Change Due to Assumption Change(s)	-	495,240
Actuarial Gain	230,011	26,913
Expense Charges	(8,344)	(19,504)
Benefits Disbursed	(215,776)	(254,160)
Effects of Plan Curtailment	-	(438,441)
Effects of Settlement on PBO	11,263	-
Benefit Obligation at End of Year	\$ 4,310,588	\$ 4,095,572
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	\$ 5,122,808	\$ 4,685,798
Actual Return on Plan Assets	182,235	624,662
Employer Contributions	-	86,012
Benefits Paid	(224,120)	(273,664)
Fair Value of Plan Assets at End of Year	\$ 5,080,923	\$ 5,122,808
Funded Status:		
Fair Value of Plan Assets	\$ 5,080,923	\$ 5,122,808
Projected Benefit Obligation	(4,310,588)	(4,095,572)
Funded Status	\$ 770,335	\$ 1,027,236
Amounts Recognized in Balance Sheets:		
Prepaid Benefit Cost	\$ 770,335	\$ 1,027,236

The accumulated benefit obligation was approximately \$4,310,588 and \$4,096,000 for the years ended June 30, 2008 and 2007, respectively.

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8 RETIREMENT PLANS (CONTINUED)

Additional Information

During 2008, the expected rate of return on plan assets was changed from 7.50% to 4.00% in order to reflect an estimate of the current level of investment results in fixed income investments. Also, the assumed rate of annual compensation was decreased from 6.00% to 3.00%. During 2007, the discount rate used to determine benefit obligation was lowered from 6.25% to 4.75%. These changes are related to the much shorter time horizon for the Plan due to the Plan freeze and the intention of the Plan sponsor to terminate the Plan as soon as administratively possible.

Weighted average assumptions used to determine the benefit obligation are as follows:

	<u>2008</u>	<u>2007</u>
Discount Rate	4.75%	4.75%
Rate of Compensation Increase	3.00%	3.00%

Weighted average assumptions used to determine the net benefit cost are as follows:

	<u>2008</u>	<u>2007</u>
Discount Rate	4.75%	6.25%
Expected Long-Term Return on Plan Assets	4.00%	7.50%
Rate of Compensation Increase	3.00%	6.00%

The Agency selects the expected long-term rate of return on plan assets assumption in consultation with its investment advisors and actuary. This rate is intended to reflect the average rate of earnings expected on the funds invested or to be invested to provide plan benefits. Historical performance is reviewed for the major asset classes held or anticipated to be held by the trust, and for the trust itself. Undue weight is not given to recent experience, which may not continue over the measurement period, with higher significance placed on current forecasts of future long-term economic conditions.

Because assets are held in a qualified trust, anticipated returns are not reduced for taxes. Further, solely for this purpose, the Plan is assumed to continue in force and not terminate during the period for which assets are invested. However, consideration is given to the potential impact of current and future investment policy, cash flow into and out of the trust, and expenses typically paid from plan assets.

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8 RETIREMENT PLANS (CONTINUED)

Additional Information (Continued)

The Plan's weighted average asset allocation by category at June 30, 2008 and 2007 was as follows:

Asset Category:	2008	2007
Equity Securities	0.7%	0.8%
Fixed Income	0.0%	98.9%
Cash and Cash Equivalents	99.3%	0.3%
	100.0%	100.0%

Future Contributions

The Agency has frozen the Plan as of June 30, 2007 and thus does not expect to make future contributions.

Future Benefit Payments

Pension benefits to be paid subsequent to June 30, 2008, which reflect expected future service, are as follows:

2009	\$ 1,086,000
2010	168,000
2011	147,000
2012	143,000
2013	105,000
2014-2018	2,084,000

Reconciliation of Items Not Yet Reflected in Net Periodic Benefit Cost

	July 1, 2007	Reclassified as Net Periodic Benefit Cost	Amounts Arising During Period	Before Curtailment June 30, 2007	Effect of Curtailment	After Curtailment June 30, 2008
Transition Obligation or (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Prior Service Cost or Credit	-	-	-	-	-	-
Net (Gain) or Loss	-	-	250,849	(12,542)	-	238,307

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8 RETIREMENT PLANS (CONTINUED)

Defined Contribution Retirement Plan

The Agency has a 403(b) defined contribution plan for the benefit of its employees. The Plan covers substantially all employees over the age of twenty-one. Eligible employees may make tax deferred contributions immediately. Employees that have completed at least two years of service are eligible for employer matching contributions at a rate of 50 percent of the employee's contribution up to 4 percent of the employee's salary.

Effective with the freeze of defined benefit plan in 2007, the Agency added a 3.0 percent base contribution for all qualified employees with no requirement for a matching employee contribution. The Agency also reduced the service eligibility for employer matching contributions from two years to one year. Agency contributions to the Plan were approximately \$119,000 and \$25,000 for the years ended June 30, 2008 and 2007, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Agency rents one facility from Mecklenburg County under a month-to-month agreement. Rental expense under this agreement was approximately \$24,000 for the years ended June 30, 2008 and 2007.

The Agency receives free use of facilities for its Victim Assistance Program on a month-to-month basis. The use of these facilities is recorded as an in-kind contribution and expense at estimated fair market value of approximately \$23,400 for the years ended June 30, 2008 and 2007.

On March 31, 2003, the Agency entered into an operating lease agreement for office space with an original term of 10 years. The agreement contains the right to extend the term of the lease for up to four additional periods of ten years each. Base Rent is \$20,357 per month and may be reduced by credits or rebates which are subject to the landlord's discretion. For the years ended June 30, 2008 and 2007, the base rent was reduced by approximately \$102,000, and has been recorded as an in-kind contribution. The Base Rent may also increase to reflect changes in financing terms, operating costs or other factors during the term of the lease. Additional rent is payable under the lease agreement for certain improvements made to the premises on behalf of the Agency. The additional rent was payable in 36 monthly installments of \$2,500 beginning on the commencement date. The final additional rent payment was made in March, 2006. Rent expense is reported using the straight-line method.

UNITED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Agency leases additional office space and equipment under operating leases that expire through June 2013. Future minimum payments as of June 30, 2008 are as follows:

2009	\$	425,866
2010		427,347
2011		428,864
2012		425,556
2013		309,909

Rent expense under these agreements was approximately \$438,000 and \$369,000 for the years ended June 30, 2008 and 2007, respectively.

The Agency also has non-cancellable obligations for service contracts through 2009. Minimum payments under these contracts total approximately \$80,000 in 2009.

NOTE 10 CONCENTRATIONS

During 2008 and 2007, the Agency received approximately 27% and 26% of total revenues, respectively, from United Way appropriations. Given the recent negative local publicity at United Way and deteriorating local economic conditions, there is a chance the Agency may experience a significant decrease to its future revenues from this source.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
United Family Services, Inc.
Charlotte, North Carolina

We have audited the financial statements of United Family Services, Inc. (the "Agency") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency'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 Agency'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. However we did identify the following deficiency we consider to be a significant deficiency:

Supporting Schedules

The net assets and pledges receivable supporting schedules are not currently maintained on a regular basis. In addition, there is no formal review process for these schedules. As a result, journal entries were proposed for these areas as part of the audit. We recommend the Agency implement a policy requiring significant supporting schedules to be maintained on at least a quarterly basis. In addition, these schedules should be reviewed and approved by someone with capable knowledge, separate from the preparer, and their review should be formally documented in writing. This will help to ensure accuracy of the information and will strengthen and improve communication involved in the financial reporting process.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 combined 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 Board of Directors of United Family Services, Inc., state awarding agencies, pass-through entities, and the state of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.


LarsonAllen LLP

Charlotte, North Carolina
October 30, 2008

UNITED FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Pass-through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>			
U.S. Department Justice			
Legal Assistance for Victims	16.524	2005WLAX0034 / 085925	\$ 69,088
Pass-Through the NC Department of Crime Control and Public Safety:			
Victims of Crime Act	16.575	060-1-07-A13-AV-94	182,797
Juvenile Justice and Delinquency Prevention	16.540	290018	27,305
Pass-Through the National Children's Alliance Missing Children's Assistance	16.543	MONR-NC-PS07	10,000
U.S. Department of Health and Human Services			
Pass-Through the NC Department of Health and Human Services:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	02133-07	55,488
U.S. Department of Housing and Urban Development			
Pass-Through the NC Department of Health and Human Services:			
Emergency Shelter Grants Program	14.231	3122	17,256
Pass-Through the N.C. Housing Finance Agency National Foreclosure Mitigation Counseling	21.000 PL110-161:95X1350	56-0529967	56,893
Pass-Through the National Foundation for Credit Counseling Housing Counseling Assistance Program	14.169	HC07-0000-007	<u>23,424</u>
TOTAL FEDERAL AWARDS			442,251
<u>STATE AWARDS</u>			
NC Department of Administration:			
Counsel for Women and Domestic Violence Commission North Carolina Marriage License Fees	N/A	56-0529967	11,913
NC Department of Crime Control and Public Safety:			
Sexual Assault Grant	N/A	060-1-07-001-BQ-047	20,347
Sexual Assault Grant	N/A	090-1-07-001-BQ-070	50,000
Sexual Assault Grant	N/A	013-1-07-001-BQ-010	50,000
Domestic Violence Centers	N/A	060-1-07-001-BP-062	49,338
NC Department of Health and Human Services:			
Division of Social Services:			
Family Violence Prevention and Services Act	N/A	980-08	26,250
Child Advocacy Center	N/A	1138-08	12,500
Division of Child Development:			
Union County Partnership for Children	N/A	08-205	50,500
NC Department of Justice			
Payday Lender Grant	N/A	56-0529967	<u>29,100</u>
TOTAL STATE AWARDS			<u>299,948</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 742,199</u>