UNITED FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

UNITED FAMILY SERVICES, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2010 AND 2009

LarsonAllen LLP
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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, 2010 and 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2010 and 2009 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 13, 2010, 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 audits.

LarsonAllen LLP

LarsonAllen LLP

Charlotte, North Carolina
October 13, 2010

UNITED FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	$ 573,705	$ 307,353
Restricted Cash and Cash Equivalents	1,244,453	85,612
Investments	-	100,000
Beneficial Interest in Assets Held by Trustee	8,639	7,799
Accounts Receivable		
United Way Allocation	1,384,600	1,222,293
Grants and Pledges Receivable, Net	1,097,065	330,671
Capital Campaign Pledges Receivable, Net	2,947,989	176,297
Other	60,038	60,046
Prepaid Expenses	110,898	162,430
Prepaid Pension Costs	1,266,049	897,633
Furniture, Fixtures and Equipment, Net	154,088	93,996
Total Assets	$ 8,847,524	$ 3,444,130
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 69,299	$ 64,009
Accrued Payroll and Benefits	151,359	141,842
Deferred Revenue	14,879	8,813
Total Liabilities	235,537	214,664
NET ASSETS		
Unrestricted	2,112,895	1,566,702
Unrestricted - Board Designated for Equipment	-	55,175
Temporarily Restricted	6,490,453	1,599,790
Permanently Restricted	8,639	7,799
Total Net Assets	8,611,987	3,229,466
Total Liabilities and Net Assets	$ 8,847,524	$ 3,444,130

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program Fees	$ 1,065,488	$ -	$ -	$ 1,065,488
Public Support				
United Way	-	1,384,600	-	1,384,600
Government	-	2,744,579	-	2,744,579
Capital Campaign Contributions	-	4,176,684	-	4,176,684
Other Contributions & Grants	1,042,012	798,063	-	1,840,075
Interest	6,336	-	-	6,336
Provision for Uncollectible Public Support	-	(20,657)	-	(20,657)
Other Income	3,169	-	840	4,009
Change in Pension Benefit Obligation	368,416	-	-	368,416
Revenues and Other Support	2,485,421	9,083,269	840	11,569,530
Net Assets Released from Restrictions				
United Way	1,221,126	(1,221,126)	-	-
Government	1,967,055	(1,967,055)	-	-
Capital Campaign Contributions	276,966	(276,966)	-	-
Other Contributions & Grants	727,459	(727,459)	-	-
Total Net Assets Released from Restrictions	4,192,606	(4,192,606)	-	-
Total Revenues and Other Support	6,678,027	4,890,663	840	11,569,530
EXPENSES				
Program Services:				
Clinical Services	1,653,869	-	-	1,653,869
Victim Services	1,978,066	-	-	1,978,066
Employee Assistance Program	106,932	-	-	106,932
Economic Independence	1,107,731	-	-	1,107,731
Total Program Services	4,846,598	-	-	4,846,598
Supporting Services:				
Administrative	718,348	-	-	718,348
Fundraising - General	492,395	-	-	492,395
Fundraising - Capital Campaign	129,668	-	-	129,668
Total Supporting Services	1,340,411	-	-	1,340,411
Total Expenses	6,187,009	-	-	6,187,009
INCREASE IN NET ASSETS	491,018	4,890,663	840	5,382,521
Net Assets - Beginning of Year	1,621,877	1,599,790	7,799	3,229,466
NET ASSETS - END OF YEAR	$ 2,112,895	$ 6,490,453	$ 8,639	$ 8,611,987

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program Fees	$ 1,076,571	$ -	$ -	$ 1,076,571
Public Support				
United Way	-	1,222,293	-	1,222,293
Government	-	700,565	-	700,565
Capital Campaign Contributions	-	303,156	-	303,156
Other Contributions & Grants	465,361	736,055	-	1,201,416
Interest	4,169	-	-	4,169
Provision for Uncollectible Public Support	-	(389,602)	-	(389,602)
Other Income (Loss)	2,758	-	(1,688)	1,070
Revenues and Other Support	1,548,859	2,572,467	(1,688)	4,119,638
Net Assets Released from Restrictions				
United Way	1,695,296	(1,695,296)	-	-
Government	2,414,468	(2,414,468)	-	-
Capital Campaign Contributions	126,859	(126,859)	-	-
Other Contributions & Grants	692,790	(692,790)	-	-
Total Net Assets Released from Restrictions	4,929,413	(4,929,413)	-	-
Total Revenues and Other Support	6,478,272	(2,356,946)	(1,688)	4,119,638
EXPENSES				
Program Services:				
Counseling and Education	1,492,065	-	-	1,492,065
Crisis Intervention & Advocacy	955,039	-	-	955,039
Domestic Violence	1,371,814	-	-	1,371,814
Employee Assistance Program	135,600	-	-	135,600
Economic Independence	1,059,804	-	-	1,059,804
Total Program Services	5,014,322	-	-	5,014,322
Supporting Services:				
Administrative	785,770	-	-	785,770
Fundraising - General	289,664	-	-	289,664
Fundraising - Capital Campaign	164,085	-	-	164,085
Total Supporting Services	1,239,519	-	-	1,239,519
Total Expenses	6,253,841	-	-	6,253,841
INCREASE (DECREASE) IN NET ASSETS	224,431	(2,356,946)	(1,688)	(2,134,203)
Net Assets - Beginning of Year	1,397,446	3,956,736	9,487	5,363,669
NET ASSETS - END OF YEAR	$ 1,621,877	$ 1,599,790	$ 7,799	$ 3,229,466

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 5,382,521	$ (2,134,203)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation	41,887	43,343
Unrealized (Gain) Loss on Permanent Endowments	(840)	1,688
Contributions Restricted for New Shelter, Net	(1,158,841)	(58,490)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(3,700,385)	2,225,535
Prepaid Expenses	(316,884)	(144,299)
Accounts Payable	5,290	(1,125)
Accrued Payroll and Benefits	9,517	(25,293)
Deferred Revenue	6,066	(9,083)
Net Cash Provided by (Used in) Operating Activities	268,331	(101,927)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Furniture, Fixtures and Equipment	(101,979)	(28,663)
Purchases of Investments	-	(403,376)
Sales of Investments	100,000	611,346
Net Cash Provided by (Used in) Investing Activities	(1,979)	179,307
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for New Shelter, Net	1,158,841	58,490
Net Cash Provided by Financing Activities	1,158,841	58,490
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,425,193	135,870
Cash and Cash Equivalents - Beginning of Year	392,965	257,095
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,818,158	$ 392,965

See accompanying Notes to Financial Statements.

UNITED FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Clinical Services	Victim Services	Employee Assistance Program
Salaries	$ 1,016,108	1,223,119	$ 53,469
Employee Benefits	157,365	218,330	8,447
Payroll Taxes	79,830	100,391	4,327
Total Salaries & Related Expenses	1,253,303	1,541,840	66,243
Contracted & Professional Services	113,959	66,781	24,022
Food, Printing, Office & Program Supplies	15,078	51,252	841
Telephone & Internet	12,628	21,380	230
Postage & Shipping	3,972	3,252	276
Rent & Utilities	180,768	100,241	3,810
Insurance	6,171	11,161	265
Equipment & Maintenance	13,498	15,294	586
Subscriptions & Publications	210	94	1,134
Travel, Training & Conferences	13,359	15,005	1,101
Dues	4,298	7,558	312
Financial Assistance	18	72,091	-
In-Kind & Miscellaneous	25,690	46,990	7,324
Total Other Expenses	389,649	411,099	39,901
Total Expenses Before Depreciation	1,642,952	1,952,939	106,144
Depreciation	10,917	25,127	788
Total Expenses	$ 1,653,869	$ 1,978,066	$ 106,932

See accompanying Notes to Financial Statements.

Economic Independence	Administrative	Fundraising - General	Fundraising - Capital Campaign	Total
$ 589,830	$ 253,943	$ 199,358	$ 33,322	$ 3,369,149
138,800	35,415	40,620	266	599,243
47,190	18,769	15,788	2,813	269,108
775,820	308,127	255,766	36,401	4,237,500
111,936	351,072	18,725	70,415	756,910
8,713	3,907	20,543	2,250	102,584
14,844	423	465	-	49,970
4,198	1,504	11,671	92	24,965
102,060	19,089	23,796	-	429,764
4,114	5,596	998	-	28,305
9,398	5,656	2,293	-	46,725
1,844	977	513	-	4,772
19,902	8,958	909	520	59,754
20,901	2,132	851	-	36,052
38	-	-	-	72,147
30,467	9,957	155,256	19,990	295,674
328,415	409,271	236,020	93,267	1,907,622
1,104,235	717,398	491,786	129,668	6,145,122
3,496	950	609	-	41,887
$ 1,107,731	$ 718,348	$ 492,395	$ 129,668	$ 6,187,009

UNITED FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

	Counseling and Education	Crisis Intervention and Advocacy	Domestic Violence
Salaries	$ 933,734	$ 608,783	$ 802,367
Employee Benefits	134,950	71,583	115,736
Payroll Taxes	74,715	50,597	66,440
Total Salaries & Related Expenses	1,143,399	730,963	984,543
Contracted & Professional Services	90,732	42,766	61,769
Food, Printing, Office & Program Supplies	16,624	17,853	62,232
Telephone & Internet	10,755	8,819	17,710
Postage & Shipping	3,210	2,097	1,889
Rent & Utilities	162,471	90,530	132,118
Insurance	3,515	2,259	7,381
Equipment & Maintenance	13,709	8,976	10,617
Subscriptions & Publications	290	316	1,925
Travel, Training & Conferences	7,424	18,043	17,313
Dues	2,911	4,032	2,963
Financial Assistance	29	6	33,755
In-Kind & Miscellaneous	26,037	18,014	23,462
Total Other Expenses	337,707	213,711	373,134
Total Expenses Before Depreciation	1,481,106	944,674	1,357,677
Depreciation	10,959	10,365	14,137
Total Expenses	$ 1,492,065	$ 955,039	$ 1,371,814

See accompanying Notes to Financial Statements.

Employee Assistance Program	Economic Independence	Administrative	Fundraising - General	Fundraising - Capital Campaign	Total
$ 76,591	$ 604,234	$ 395,117	$ 134,481	$ 26,640	$ 3,581,947
10,570	120,782	61,818	18,259	1,320	535,018
6,167	49,633	31,864	9,977	1,545	290,938
93,328	774,649	488,799	162,717	29,505	4,407,903
17,458	109,601	157,585	10,914	133,247	624,072
2,539	11,868	22,265	36,418	1,333	171,132
1,148	14,430	2,180	504	-	55,546
215	3,703	1,927	9,694	-	22,735
11,339	78,405	41,274	18,809	-	534,946
246	1,675	20,646	527	-	36,249
1,051	8,050	10,900	2,998	-	56,301
1,141	2,542	919	244	-	7,377
2,856	8,053	7,617	153	-	61,459
1,396	19,241	5,963	774	-	37,280
-	281	-	-	-	34,071
2,016	23,527	23,585	44,786	-	161,427
41,405	281,376	294,861	125,821	134,580	1,802,595
134,733	1,056,025	783,660	288,538	164,085	6,210,498
867	3,779	2,110	1,126	-	43,343
$ 135,600	$ 1,059,804	$ 785,770	$ 289,664	$ 164,085	$ 6,253,841

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:

Clinical Services

Counseling
- Individual, couple, group, and family therapy
- Specialized training in Trauma Focused Cognitive Behavioral Therapy for victims of sexual assault, childhood trauma and other violent crimes

Parent Education
- Divorce education and support

Victim Services

Child Abuse Prevention
- Child abuse prevention, awareness and education

Rape Crisis
- 24-hour, seven-day-a-week rape crisis response via hotline and at the hospital
- Advocacy, case management and support for the victims and families affected by crime
- Crime victim's compensation guidance

Domestic Violence Services
- 24-hour domestic violence hotline
- Domestic violence shelter for battered women and children
- Domestic violence counseling, education and survivor support
- Advocacy, case management and support for victims and families affected by domestic assault
- Legal representation, assistance with protection orders and accompaniment to court hearings

Employee Assistance Program
- Employer, employee counseling and consultation

Economic Independence

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

NOTE 1 ORGANIZATION AND PURPOSE (CONTINUED)

Housing Services

- Mortgage delinquency counseling
- Reverse equity mortgage counseling
- Bankruptcy counseling

In 2010, the Agency restructured its internal operations to better support its new mission: "Providing hope and solutions to people in crisis." Counseling & Education was renamed Clinical Services and counseling for sexual assault and other crimes, previously included in Victim Assistance, was moved into Clinical Services. Domestic Violence and Victim Assistance were merged and renamed Victim Services which now encompasses all rape crisis programs in Union, Cabarrus, and Mecklenburg County as well as the Shelter for Battered Women, the Tree House Child Advocacy Center (CAC) and the Victim Assistance Programs.

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.

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.

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. Conditional promises to give are not included as support until such time as the conditions are substantially met or the likelihood of not meeting the conditions is deemed remote.

Amounts recorded as uncollectible public support include amounts previously recognized in temporarily restricted net assets upon allocation that were not utilized.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

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. The Agency records receivables for these services at net realizable value. An allowance for uncollectible amounts is estimated based on historical collection experience.

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 $250,000. The Agency believes they are not exposed to any significant cash credit risk.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist primarily of amounts restricted for the construction of a new Shelter for Battered Women in Mecklenburg County.

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.

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 for promises received for fiscal year 2008 and risk-adjusted interest rates for promises received in 2009 and after. 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.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

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 the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained by the Agency. 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.

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 budgeted full-time equivalents (FTEs).

Uniform Prudent Management of Institutional Funds Act

During fiscal year 2009, The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") became effective in the state of North Carolina. The Agency adopted the provisions of the financial accounting standard for endowments of not-for-profit organizations (the "UPMIFA Standard") with respect to the accounting for the corpus and income recognition on endowment funds, as of and for the year ended June 30, 2009. The adoption of this standard did not have a material impact on the Agency's results of operations or financial position as of and for the year ended June 30, 2009.

Fair Value of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency has the ability to access.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (continued)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Agency has not elected to measure any existing financial instruments at fair value as of June 30, 2010. However, the Agency may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through October 13, 2010, the date the financial statements were available to be issued.

NOTE 3 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment at June 30, 2010 and 2009 is summarized as follows:

	2010	2009
Furniture, Fixtures and Equipment	$ 279,760	$ 287,574
Leasehold Improvements	60,336	60,336
Computer Software	221,078	221,676
Construction in Progress - New Shelter for Battered Women	93,482	-
	654,656	569,586
Less: Accumulated Depreciation	(500,568)	(475,590)
	$ 154,088	$ 93,996

NOTE 4 PLEDGES RECEIVABLE

During the year ended June 30, 2009, the Agency initiated a capital campaign to raise $10 million in funds for a new Shelter for Battered Women in Mecklenburg County. Net pledges receivable at June 30, 2010 and 2009 includes capital campaign pledges of approximately $2,947,989 and $176,297, respectively. Pledges receivable consisted of the following at June 30, 2010 and 2009:

	2010	2009
Due in Less than One Year	$ 819,714	$ 108,962
Due in Two to Five Years	2,244,750	130,662
	3,064,464	239,624
Less: Discount to Present Value (.22% - 5.6%)	(28,769)	(13,003)
Less: Allowance for Uncollectible Pledges	(76,900)	(38,649)
Pledges Receivable, Net	$ 2,958,795	$ 187,972

NOTE 5 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at June 30, 2010 and 2009:

	2010	2009
United Family Services Endowment	$ 1,479	$ 1,393
Shelter for Battered Women Endowment	7,160	6,406
	$ 8,639	$ 7,799

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2010 and 2009:

	2010	2009
United Way Allocation for the Subsequent Year	$ 1,384,600	$ 1,222,293
Grant Allocations for the Subsequent Year	958,835	103,913
Restricted Cash for New Shelter for Battered Women	1,127,611	-
Mortgage Foreclosure and Credit Counseling	-	75,000
Pledges Receivable, Net	2,958,795	187,972
Time Restrictions	50,000	-
Shelter for Battered Women:		
Kim Thomas Fund	3,435	3,435
Phillip Morris Silent Witness	1,924	1,924
Jim Johnson Funds	5,253	5,253
	$ 6,490,453	$ 1,599,790

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Program Restrictions:		
Children's Counseling	$ -	$ 11,500
Bank of America Technology Fund	-	16,510
Total Program Restrictions	-	28,010
Time Restrictions:		
United Way	1,221,126	1,695,296
Capital Campaign Contributions	276,966	126,859
Contributions and Grants	2,694,514	3,079,248
Total Time Restrictions	4,192,606	4,901,403
Total Net Assets Released from Restrictions	$ 4,192,606	$ 4,929,413

NOTE 8 RETIREMENT PLANS

Defined Benefit Retirement Plan

On May 1, 2007, the Agency approved a plan amendment freezing its noncontributory defined benefit retirement plan (the “Plan”) which is administered by Mutual of America Life Insurance Company, Inc. 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. In May 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.

Effective July 31, 2009, the Plan was terminated. Plan assets in excess of Plan liabilities of approximately $1,274,000 reverted back to the Agency in October 2010. It is the current intent of the Board of Directors to utilize a portion of these assets to make additional contributions to the defined contribution retirement plan (see below) for those employees most affected by the termination of the Plan.

There were no employer contributions to the Plan for the years ended June 30, 2010 and 2009. Net periodic benefit cost, net of actuarial adjustments for the years ended June 30, 2010 and 2009 was approximately $73 and $(432), respectively. Benefits paid were approximately $3,627,000 and $156,000 for the years ended June 30, 2010 and 2009, respectively.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Defined Benefit Retirement Plan (Continued)

The following table sets forth the Plan's funded status and amounts recognized in the statements of financial position at June 30, 2010 and 2009:

	2010	2009
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	$ 4,167,033	$ 4,310,588
Service Cost	10,380	6,443
Interest Cost	168,535	174,335
Change Due to Assumption Change(s)	43,665	(71,272)
Actuarial (Gain) Loss	(36,757)	(97,152)
Expense Charges	(10,242)	(7,943)
Benefits Disbursed	(3,616,351)	(147,966)
Effects of Settlement on PBO	(423,704)	-
Benefit Obligation at End of Year	$ 302,559	$ 4,167,033
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	$ 5,064,666	$ 5,080,923
Actual Return on Plan Assets	130,536	139,652
Benefits Paid	(3,626,594)	(155,909)
Fair Value of Plan Assets at End of Year	$ 1,568,608	$ 5,064,666
Funded Status:		
Fair Value of Plan Assets	$ 1,568,608	$ 5,064,666
Projected Benefit Obligation	(302,559)	(4,167,033)
Funded Status	$ 1,266,049	$ 897,633
Amounts Recognized in Balance Sheets:		
Prepaid Benefit Cost	$ 1,266,049	$ 897,633

The accumulated benefit obligation was $302,559 and $4,167,033 at June 30, 2010 and 2009, respectively.

Additional Information

During 2010 and 2009, the expected rate of return on plan assets was 4.00% which reflects an estimate of the current level of investment results in fixed income investments. Also, the assumed rate of annual compensation was 3.00%.

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

	2010	2009
Discount Rate	4.75%	4.75%
Rate of Compensation Increase	3.00%	3.00%

NOTE 8 RETIREMENT PLANS (CONTINUED)

Additional Information (Continued)

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

	2010	2009
Discount Rate	4.75%	4.75%
Expected Long-Term Return on Plan Assets	4.00%	4.00%
Rate of Compensation Increase	3.00%	3.00%

The Plan's weighted average asset allocation by category at June 30, 2010 and 2009 was as follows:

	2010	2009
Asset Category:		
Equity Securities	1.6%	0.5%
Cash and Cash Equivalents	98.4%	99.5%
	100.0%	100.0%

Future Contributions

The Agency froze the Plan as of June 30, 2007 and terminated it on July 31, 2009, and thus does not expect to make future contributions.

Future Benefit Payments

Estimated pension benefits to be paid subsequent to June 30, 2010 are as follows:

2011	$ 303,000

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 $0 and $106,000 for the years ended June 30, 2010 and 2009, respectively.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Effective April 1, 2009, the Agency ceased employer matching payments to the 403(b) defined contribution plan. Effective August 1, 2009, the Agency ceased all payments to the 403(b) defined contribution plan and began making payments to the 401(k) established through the Shared Services Agreement described below.

In August 2009, the Agency began participating in the CFSC Shared Services, LLC 401(k) plan, a defined contribution retirement savings plan which covers all full-time and part-time employees of the Agency who meet certain minimal eligibility requirements. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each year, participants may contribute up to 85% of their annual compensation on a pre-tax basis beginning the first day of the quarter following date of hire. The Agency contributes a matching contribution of 100% of the first 1% of base compensation that a participant contributes and 50% of the next 5% that a participant contributes. The Agency's contribution to the plan for the fiscal year ended June 30, 2010 was approximately $79,000.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Agency rents one facility from Mecklenburg County for the current Shelter for Battered Women under a month-to-month agreement. Rental expense under this agreement was approximately $24,000 for the years ended June 30, 2010 and 2009.

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, 2010 and 2009.

On March 31, 2003, the Agency entered into an operating lease agreement for the Charlotte office 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 $20,581 per month and may be reduced by credits or rebates which are subject to the landlord's discretion. For the years ended June 30, 2010 and 2009, the base rent was reduced by approximately $85,000 and 102,000, respectively, 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. Rent expense is reported using the straight-line method.

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Agency leases additional office space, in Union, Cabarrus, and the Morrisville Lake Norman areas, and equipment under operating leases that expire through June 2013.

Future minimum payments for all office and equipment leases as of June 30, 2010 are as follows:

2011	$	436,296
2012		433,117
2013		315,443

Rent expense under these agreements was approximately $428,000 and $426,000 for the years ended June 30, 2010 and 2009, respectively.

The Agency also has non-cancellable obligations for service contracts through 2010. Minimum required payments under these contracts totaled approximately $31,000 and $126,000 for the years ended June 30, 2010 and 2009, respectively.

On June 5, 2009, the Agency entered into a Purchase and Sale Agreement with an unrelated party, to purchase land, for the new Shelter for Battered Women, for the sum of $324,000. Subsequent to June 30, 2010, the Agency purchased this land using capital campaign proceeds.

Effective January 1, 2009, the Agency entered into a Services Agreement (the “Agreement”) with CFSC Shared Services, LLC (“Shared Services”), whereby Shared Services will provide certain accounting, finance, human resource and payroll services for the Agency. For the years ended June 30, 2010 and 2009 the Agency paid Shared Services approximately $209,000 and $48,000, respectively, in accordance with the Agreement. For the year ending June 30, 2011, the Agency expects to pay approximately $210,000 in accordance with the Agreement.

NOTE 10 CONCENTRATIONS

During 2010 and 2009, the Agency received approximately 13% and 31% of total revenues, respectively, from United Way appropriations.

COMPLIANCE SECTION

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, 2010, and have issued our report thereon dated October 13, 2010. 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 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 *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 and correct 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 Agency'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 would not necessarily 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 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 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 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, federal 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

LarsonAllen LLP

Charlotte, North Carolina
October 13, 2010

INDEPENDENT AUDITORS' 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 CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

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

Compliance

We have audited the compliance of United Family Services, Inc. (the "Agency") 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 its major federal program for the year ended June 30, 2010. The Agency's major federal program is 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 its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Agency 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 Agency's internal control over compliance with the requirements that could have a direct and material effect on its 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *deficiency in internal control over compliance* 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 designed to identify all deficiencies in internal control over compliance 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the Agency, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 13, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Agency. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, federal 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

LarsonAllen LLP

Charlotte, North Carolina
October 13, 2010

UNITED FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Pass-through Agency/Program Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	2010 Expenditures
FEDERAL AWARDS			
U.S. Department Justice			
Pass-Through the NC Department of Crime Control and Public Safety:			
Victims of Crime Act	16.575	060-1-08-030-AV-399	$ 64,950
Victims of Crime Act	16.575	060-1-09-A13-109	159,498
Violence Against Women Act	16.013	060-1-08-1VA-AW-219	38,658
Juvenile Justice and Delinquency Prevention	16.540	290018	51,467
Pass-Through the National Children's Alliance:			
Missing Children's Assistance	16.543	252-MONR-NC-PS09	
Missing Children's Assistance	16.543	MONR-NC-PS09	5,191
Missing Children's Assistance	16.543	18-MONR-NC-SA10	4,238
U.S. Department of Health and Human Services			
Division of Social Services:			
Family Violence Prevention and Services Act	93.671	00980-09	5,769
Family Violence Prevention and Services Act	93.671	00980-10	24,929
U.S. Department of Housing and Urban Development			
Pass-Through the NC Department of Health and Human Services:			
Emergency Shelter Grants Program	14.231	10231	16,841
Pass-Through the NC Housing Finance Agency:			
National Foreclosure Mitigation Counseling Program	21.000 PL110-161:95X1350	56-0529967	477,107
TOTAL FEDERAL AWARDS			848,648
STATE AWARDS			
NC Department of Administration:			
Counsel for Women and Domestic Violence Commission:			
North Carolina Marriage License Fees	N/A	56-0529967	22,657
Sexual Assault Grant	N/A	56-0529967	27,017
Sexual Assault Grant	N/A	090-1-07-001-BQ-070	62,746
Sexual Assault Grant	N/A	013-1-07-001-BQ-010	62,736
Domestic Violence Centers	N/A	56-0529967	45,286
NC Department of Health and Human Services:			
Division of Social Services:			
Child Advocacy Center	N/A	01138-10	16,193
Division of Child Development:			
Union County Partnership for Children	N/A	09-205	50,971
TOTAL STATE AWARDS			287,606
TOTAL FEDERAL AND STATE AWARDS			$ 1,136,254

UNITED FAMILY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Agency and is presented on the accrual basis of accounting as expenditures are incurred upon qualification of the grant requirements. The information in this schedule is presented in accordance with the applicable requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the financial statements of the Agency.

NOTE 2 CONTINGENCIES

The Agency is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that expenditures could be disallowed through the audit, repayment of such disallowances could be required.

UNITED FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued — Unqualified

2. Internal control over financial reporting:
   - Material weaknesses identified? ___Yes _X_ No
   - Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes _X_ None Reported

3. Noncompliance material to financial statements noted? ___ Yes _X_ No

Federal Awards

1. Internal control over major federal programs:
   - Material weaknesses identified? ___ Yes _X_ No
   - Significant deficiencies identified that are not considered to be material weaknesses? _X_ Yes ___ None Reported

2. Type of auditors' report issued on compliance for major Federal programs: Unqualified

3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ Yes _X_ No

4. Identification of major federal programs –
   Name of Federal Program or Cluster
   National Foreclosure Mitigation Counseling Program

5. Dollar threshold used to distinguish between Type A and Type B Programs — $300,000

6. Auditee qualified as low risk auditee? ___ Yes _X_ No

Section II – Financial Statement Findings

No matters were reportable.

Section III – Federal Award Findings and Questioned Costs

Finding: **2010-1 (Significant Deficiency in Internal Control Over Compliance)**

Condition: The Agency did not perform or retain documentation of required ratios in client files.

Effect: Reporting requirements were not met for a specific grant.

Cause: Agency overlooked one of the reporting requirements in the compliance supplement.

Recommendation: We recommend management thoroughly review the compliance requirements for grants each year to ensure they are in compliance with all requirements.

Corrective Action Plan:
When providing information to lenders on behalf of our clients, one of the criteria the lenders use to determine what solutions to offer our clients is the client debt to income ratio. Our counselors gather all of the client information and provide it to the lenders in order for them to make their final determination as to what solutions to offer our clients. This information includes total debts, income and expenses. However, lenders have not required our counselors to do the actual calculation of the ratio, which is simply dividing the debt by the income. Going forward, United Family Services has established a procedure to ensure that the debt to income ratio is included in the client file. The Economic Independence Director and the Chief Operating Officer will review grant contracts on an annual basis to ensure that the Agency is complying with all of the contractual requirements.

Section IV – State Award Findings and Questioned Costs

No matters were reportable.

UNITED FAMILY SERVICES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

2009-1
***Material Weakness:* Support Schedule Preparation and Review Process**

Resolution:
In January 2009, the Agency contracted with CFSC Shared Services, LLC ("Shared Services") for the provision of Accounting, Finance, Payroll, and Human Resource services. Implementation of those services began on January 1, 2009, with accounting responsibilities not fully transitioning until July 1, 2009. In conjunction with this change, the Agency converted accounting software from Blackbaud (Formerly Kintera) Fundware to Blackbaud Financial Edge. The previous software did not have an accounts receivable module which required staff to manually track net assets, pledges, grants and accounts receivable. The new software offers true fund accounting making the tracking of restricted revenue much more efficient. Shared Services is currently providing full monthly financial statements for review internally and subsequently by the Finance Committee and Board of Directors.

2009-2
***Material Weakness:* Vice President of Finance Responsibility**

Resolution:
All accounting responsibilities of the Vice President of Finance were transferred to Shared Services on July 1, 2009. One of the advantages of Shared Services is the additional staff that makes up the Finance Department with a CFO and several unit controllers that can act as backup for each other and address the needs of the participating agencies.

2009-3
***Significant Deficiency*: Submission of Monthly Reports**

Resolution:
During 2010 management implemented more clearly defined responsibilities for its staff which has ensured the monthly reporting requirements are completed on a timely basis during the year.