

**UNITED FAMILY SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**UNITED FAMILY SERVICES, INC.  
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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, 2009 and 2008, 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, 2009 and 2008 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 27, 2009, 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 27, 2009

**UNITED FAMILY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2009 AND 2008**

	2009	2008
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 307,353	\$ 229,973
Restricted Cash and Cash Equivalents	85,612	27,122
Investments	100,000	307,970
Beneficial Interest in Assets Held by Trustee	7,799	9,487
Accounts Receivable		
United Way Allocation	1,222,293	1,750,621
Grants and Pledges Receivable, Net	506,968	2,217,910
Other	60,046	46,311
Prepaid Expenses	162,430	145,429
Prepaid Pension Costs	897,633	770,335
Furniture, Fixtures and Equipment, Net	93,996	108,676
 Total Assets	 \$ 3,444,130	 \$ 5,613,834
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 64,009	\$ 65,134
Accrued Payroll and Benefits	141,842	167,135
Deferred Revenue	8,813	17,896
Total Liabilities	214,664	250,165
 <b>NET ASSETS</b>		
Unrestricted	1,566,702	1,356,950
Unrestricted - Board Designated for Equipment	55,175	40,496
Temporarily Restricted	1,599,790	3,956,736
Permanently Restricted	7,799	9,487
Total Net Assets	3,229,466	5,363,669
 Total Liabilities and Net Assets	 \$ 3,444,130	 \$ 5,613,834

See accompanying Notes to Financial Statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
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	<u>1,548,859</u>	<u>2,572,467</u>	<u>(1,688)</u>	<u>4,119,638</u>
 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	<u>692,790</u>	<u>(692,790)</u>	<u>-</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>4,929,413</u>	<u>(4,929,413)</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Support	<u>6,478,272</u>	<u>(2,356,946)</u>	<u>(1,688)</u>	<u>4,119,638</u>
 <b>EXPENSES</b>				
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	<u>5,014,322</u>	<u>-</u>	<u>-</u>	<u>5,014,322</u>
Supporting Services:				
Administrative	785,770	-	-	785,770
Fundraising - General	289,664	-	-	289,664
Fundraising - Capital Campaign	<u>164,085</u>	<u>-</u>	<u>-</u>	<u>164,085</u>
Total Supporting Services	<u>1,239,519</u>	<u>-</u>	<u>-</u>	<u>1,239,519</u>
 Total Expenses	<u>6,253,841</u>	<u>-</u>	<u>-</u>	<u>6,253,841</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	224,431	(2,356,946)	(1,688)	(2,134,203)
 Net Assets - Beginning of Year	<u>1,397,446</u>	<u>3,956,736</u>	<u>9,487</u>	<u>5,363,669</u>
 <b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,621,877</u>	<u>\$ 1,599,790</u>	<u>\$ 7,799</u>	<u>\$ 3,229,466</u>

See accompanying Notes to Financial Statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
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	398,202	468,123	-	866,325
Interest	22,933	-	-	22,933
Provision for Uncollectible Public Support	-	(40,183)	-	(40,183)
Other Income	(1,569)	-	(492)	(2,061)
Revenues and Other Support	<u>1,640,467</u>	<u>5,666,078</u>	<u>(492)</u>	<u>7,306,053</u>
 Net Assets Released from Restrictions				
United Way	1,577,589	(1,577,589)	-	-
Government	1,981,382	(1,981,382)	-	-
Other Contributions & Grants	688,105	(688,105)	-	-
Total Net Assets Released from Restrictions	<u>4,247,076</u>	<u>(4,247,076)</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Support	<u>5,887,543</u>	<u>1,419,002</u>	<u>(492)</u>	<u>7,306,053</u>
 <b>EXPENSES</b>				
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	<u>5,108,326</u>	<u>-</u>	<u>-</u>	<u>5,108,326</u>
 Supporting Services:				
Administrative	805,139	-	-	805,139
Fundraising - General	253,749	-	-	253,749
Fundraising - Capital Campaign	32,500	-	-	32,500
Total Supporting Services	<u>1,091,388</u>	<u>-</u>	<u>-</u>	<u>1,091,388</u>
 Total Expenses	<u>6,199,714</u>	<u>-</u>	<u>-</u>	<u>6,199,714</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	(312,171)	1,419,002	(492)	1,106,339
 Net Assets - Beginning of Year	<u>1,709,617</u>	<u>2,537,734</u>	<u>9,979</u>	<u>4,257,330</u>
 <b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,397,446</u>	<u>\$ 3,956,736</u>	<u>\$ 9,487</u>	<u>\$ 5,363,669</u>

See accompanying Notes to Financial Statements.

**UNITED FAMILY SERVICES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,134,203)	\$ 1,106,339
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Depreciation	43,343	47,755
Loss on Disposal of Assets	-	2,993
Unrealized Loss on Permanent Endowments	1,688	492
Changes in Operating Assets and Liabilities		
Accounts Receivable	2,225,535	(1,442,058)
Prepaid Expenses	(144,299)	241,891
Accounts Payable	(1,125)	(27,803)
Accrued Payroll and Benefits	(25,293)	11,496
Deferred Revenue	(9,083)	844
Net Cash Used in Operating Activities	(43,437)	(58,051)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Furniture, Fixtures and Equipment	(28,663)	(61,364)
Purchases of Investments	(403,376)	(402,570)
Sales of Investments	611,346	397,171
Net Cash Provided by (Used in) Investing Activities	179,307	(66,763)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	135,870	(124,814)
Cash and Cash Equivalents - Beginning of Year	257,095	381,909
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 392,965	\$ 257,095

See accompanying Notes to Financial Statements.

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

	<u>Counseling &amp; Education</u>	<u>Crisis Intervention &amp; Advocacy</u>	<u>Domestic Violence</u>
Salaries	\$ 933,734	\$ 608,783	\$ 802,367
Employee Benefits	134,950	71,583	115,736
Payroll Taxes	<u>74,715</u>	<u>50,597</u>	<u>66,440</u>
 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	<u>26,037</u>	<u>18,014</u>	<u>23,462</u>
 Total Other Expenses	 <u>337,707</u>	 <u>213,711</u>	 <u>373,134</u>
 Total Expenses Before Depreciation	 1,481,106	 944,674	 1,357,677
Depreciation	<u>10,959</u>	<u>10,365</u>	<u>14,137</u>
 Total Expenses	 <u>\$ 1,492,065</u>	 <u>\$ 955,039</u>	 <u>\$ 1,371,814</u>

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

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

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

See accompanying Notes to Financial Statements.

Employee Assistance Program	Economic Independence	Administrative	Fundraising - General	Fundraising - Capital Campaign	Total
\$ 55,844	\$ 422,698	\$ 422,179	\$ 100,751	\$ 5,277	\$ 3,318,703
17,185	137,578	110,238	38,350	261	886,410
4,382	34,710	32,217	8,297	306	265,649
77,411	594,986	564,634	147,398	5,844	4,470,762
7,632	130,406	66,987	6,413	26,392	480,202
3,068	13,207	39,427	44,447	264	207,446
7,506	10,667	2,931	265	-	60,198
238	2,091	4,282	13,905	-	27,326
5,992	78,989	40,693	9,886	-	427,947
251	2,654	14,571	414	-	31,301
565	16,973	12,551	5,362	-	78,741
998	4,095	1,446	-	-	7,685
2,523	15,210	13,201	-	-	83,255
1,255	18,284	5,793	545	-	35,449
-	-	-	-	-	87,077
3,504	28,918	25,559	23,262	-	154,570
33,532	321,494	227,441	104,499	26,656	1,681,197
110,943	916,480	792,075	251,897	32,500	6,151,959
468	5,796	13,064	1,852	-	47,755
<u>\$ 111,411</u>	<u>\$ 922,276</u>	<u>\$ 805,139</u>	<u>\$ 253,749</u>	<u>\$ 32,500</u>	<u>\$ 6,199,714</u>

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**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, 2009 AND 2008**

**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. 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.

**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 \$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.

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 2 ACCOUNTING POLICIES (CONTINUED)**

**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. 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 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.

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 2 ACCOUNTING POLICIES (CONTINUED)**

**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.

**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).

**Endowments of Not-for-Profit Organizations**

FASB Statement No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. The provisions of this FSP are effective for fiscal years ending after December 15, 2008. The Agency adopted FSP 117-1 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.

*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.

**UNITED FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 2 ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (continued)**

The Agency has not elected to measure any existing financial instruments at fair value as of June 30, 2009. 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 27, 2009, the date the financial statements were available to be issued.

**Reclassifications**

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation for comparative purposes with no effect on previously reported excess of revenues over expenses or net assets.

**NOTE 3 FURNITURE, FIXTURES AND EQUIPMENT**

Furniture, fixtures and equipment at June 30, 2009 and 2008 is summarized as follows:

	2009	2008
Furniture and Fixtures	\$ 36,327	\$ 24,769
Equipment	251,247	239,362
Leasehold Improvements	60,336	55,118
Computer Software	221,676	221,674
	569,586	540,923
Less: Accumulated Depreciation	(475,590)	(432,247)
	\$ 93,996	\$ 108,676

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 4 PLEDGES RECEIVABLE**

During the year ended June 30, 2009, the Agency initiated a capital campaign to raise funds for a new shelter. Pledges receivable include capital campaign pledges of approximately \$209,000 at June 30, 2009. 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Due in Less than One Year	\$ 108,962	\$ 15,514
Due in Two to Five Years	130,662	45,260
	<u>239,624</u>	<u>60,774</u>
Less: Discount to Present Value (3.1% - 5.6%)	(13,003)	(19,904)
Less: Allowance for Uncollectible Pledges	<u>(38,649)</u>	<u>(22,457)</u>
Pledges Receivable, Net	<u>\$ 187,972</u>	<u>\$ 18,413</u>

**NOTE 5 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
United Family Services Endowment	\$ 1,393	\$ 1,694
Shelter for Battered Women Endowment	6,406	7,793
	<u>\$ 7,799</u>	<u>\$ 9,487</u>

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
United Way Allocation for the Subsequent Year	\$ 1,222,293	\$ 1,750,621
Grant Allocations for the Subsequent Year	103,913	2,160,580
Mortgage Foreclosure and Credit Counseling	75,000	-
Pledges Receivable, Net	187,972	18,413
Shelter for Battered Women		
Kim Thomas Fund	3,435	3,435
Phillip Morris Silent Witness	1,924	1,924
Bank of America Technology Grant	-	16,510
Jim Johnson Funds	<u>5,253</u>	<u>5,253</u>
	<u>\$ 1,599,790</u>	<u>\$ 3,956,736</u>

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions for the years ended June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Program Restrictions		
Shelter for Battered Women	\$ -	\$ 6,879
Children's Counseling	11,500	-
Bank of America Technology Fund	16,510	57,391
Total Program Restrictions	28,010	64,270
Time Restrictions		
United Way	1,695,296	1,577,589
Capital Campaign Contributions	126,859	-
Contributions and Grants	3,079,248	2,605,217
Total Time Restrictions	4,901,403	4,182,806
Total Net Assets Released from Restrictions	\$ 4,929,413	\$ 4,247,076

**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.

Effective July 31, 2009, the Plan was terminated. Any Plan assets in excess of Plan liabilities are expected to be returned to the Agency during fiscal year 2011. It is the current intent of the Board of Directors to utilize a portion of any excess assets to make additional contributions to the defined contribution retirement plan (see below) for those employees most affected by the termination of the Plan.

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Retirement Plan (Continued)**

There were no employer contributions to the Plan for the years ended June 30, 2009 and 2008. Net periodic benefit cost, net of actuarial adjustments for the years ended June 30, 2009 and 2008 was approximately \$(127,000) and \$257,000, respectively. Benefits paid were approximately \$156,000 and \$224,000 for the years ended June 30, 2009 and 2008, respectively.

The following table sets forth the Plan's funded status and amounts recognized in the statements of financial position at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	\$ 4,310,588	\$ 4,095,572
Service Cost	6,443	7,568
Interest Cost	174,335	190,294
Change Due to Assumption Change(s)	(71,272)	-
Actuarial (Gain) Loss	(97,152)	230,011
Expense Charges	(7,943)	(8,344)
Benefits Disbursed	(147,966)	(215,776)
Effects of Settlement on PBO	-	11,263
Benefit Obligation at End of Year	<u>\$ 4,167,033</u>	<u>\$ 4,310,588</u>
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	\$ 5,080,923	\$ 5,122,808
Actual Return on Plan Assets	139,652	182,235
Benefits Paid	(155,909)	(224,120)
Fair Value of Plan Assets at End of Year	<u>\$ 5,064,666</u>	<u>\$ 5,080,923</u>
Funded Status:		
Fair Value of Plan Assets	\$ 5,064,666	\$ 5,080,923
Projected Benefit Obligation	<u>(4,167,033)</u>	<u>(4,310,588)</u>
Funded Status	<u>\$ 897,633</u>	<u>\$ 770,335</u>
Amounts Recognized in Balance Sheets:		
Prepaid Benefit Cost	<u>\$ 897,633</u>	<u>\$ 770,335</u>

The accumulated benefit obligation was \$4,167,033 and \$4,310,588 for the years ended June 30, 2009 and 2008, respectively.

**UNITED FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**Additional Information**

During 2009 and 2008, 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:

	<u>2009</u>	<u>2008</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>2009</u>	<u>2008</u>
Discount Rate	4.75%	6.25%
Expected Long-Term Return on Plan Assets	4.00%	4.00%
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, 2009 AND 2008**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**Additional Information (Continued)**

The Plan's weighted average asset allocation by category at June 30, 2009 and 2008 was as follows:

Asset Category:	2009	2008
Equity Securities	0.5%	0.7%
Cash and Cash Equivalents	99.5%	99.3%
	100.0%	100.0%

**Future Contributions**

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

**Future Benefit Payments**

Estimated pension benefits to be paid subsequent to June 30, 2009, on an ongoing basis, are as follows:

2010	\$ 1,206,000
2011	141,000
2012	113,000
2013	82,000
2014	604,000
2015-2019	1,558,000

**Reconciliation of Items Not Yet Reflected in Net Periodic Benefit Cost**

	July 1, 2008	Reclassified as Net Periodic Benefit Cost	Amounts Arising During Period	Before Curtailment June 30, 2008	Effect of Curtailment	After Curtailment June 30, 2009
Transition Obligation or (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Prior Service Cost or Credit	-	-	-	-	-	-
Net (Gain) or Loss	238,307	-	(126,866)	-	-	111,441

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**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 \$106,000 and \$119,000 for the years ended June 30, 2009 and 2008, respectively.

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 (see Note 9).

**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, 2009 and 2008.

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, 2009 and 2008.

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, 2009 and 2008, 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. Rent expense is reported using the straight-line method.

The Agency leases additional office space and equipment under operating leases that expire through June 2013. Future minimum payments as of June 30, 2009 are as follows:

2010	\$	429,015
2011		432,174
2012		366,776

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Rent expense under these agreements was approximately \$426,000 and \$438,000 for the years ended June 30, 2009 and 2008, respectively.

The Agency also has non-cancellable obligations for service contracts through 2010. Minimum required payments under these contracts total approximately \$126,000 in 2010.

On June 5, 2009, the Agency entered into a Purchase and Sale Agreement with an unrelated party, to purchase land for the sum of \$300,000, within 365 days of the Effective Date of the Agreement. This purchase is expected to be financed 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 year ended June 30, 2009 the Agency paid Shared Services approximately \$48,000 in accordance with the Agreement. For the year ending June 30, 2010, the Agency expects to pay approximately \$190,000 in accordance with the Agreement.

**NOTE 10 CONCENTRATIONS**

During 2009 and 2008, the Agency received approximately 31% and 24% 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.

## **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, 2009, and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined 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.

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, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Agency'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 combined financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies described in findings 2009-1 and 2009-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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 combined 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 and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the significant deficiencies described above, findings 2009-1 and 2009-2, to be material weaknesses.

### **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*.

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

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**

Charlotte, North Carolina  
October 27, 2009

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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 the 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, 2009. 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 applicable sections of Office of Management Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and applicable sections of 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 on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as finding 2009-3.

### **Internal Control Over Compliance**

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as described below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2009-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to a material weakness.

#### **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, 2009 and have issued our report thereon dated October 27, 2009. 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 them.

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**

Charlotte, North Carolina  
October 27, 2009

**UNITED FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2009**

Grantor/Pass-through Agency/Program Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	2009 Expenditures
<b><u>FEDERAL AWARDS</u></b>			
<b>U.S. Department Justice</b>			
Pass-Through the NC Department of Crime Control and Public Safety:			
Victims of Crime Act	16.575	060-1-08-0308-AV-399	
Violence Against Women Act	16.013	060-1-07-A13-AV-494	\$ 221,226
Juvenile Justice and Delinquency Prevention	16.540	060-1-08-1VA-AW-219	23,689
Pass-Through the National Children's Alliance		290018	29,835
Missing Children's Assistance	16.543	252-MONR-NC-PS09	10,000
<b>U.S. Department of Health and Human Services</b>			
Pass-Through the NC Department of Health and Human Services:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	02133-09	36,635
Division of Social Services			
Family Violence Prevention and Services Act	93.671	00980-09	33,561
<b>U.S. Department of Housing and Urban Development</b>			
Pass-Through the NC Department of Health and Human Services:			
Emergency Shelter Grants Program	14.231	9227	17,030
Pass-Through the N.C. Housing Finance Agency			
National Foreclosure Mitigation Counseling Program	21.000 PL110-161:95X1350	56-0529967	443,505
Pass-Through the National Foundation for Credit Counseling			
Housing Counseling Assistance Program	14.169	HC07-0000-007	3,000
<b>TOTAL FEDERAL AWARDS</b>			<b>818,481</b>
<b><u>STATE AWARDS</u></b>			
<b>NC Department of Administration:</b>			
Counsel for Women and Domestic Violence Commission			
North Carolina Marriage License Fees	N/A	56-0529967	21,735
Sexual Assault Grant	N/A	060-1-07-001-BQ-047	28,835
Sexual Assault Grant	N/A	090-1-07-001-BQ-070	64,175
Sexual Assault Grant	N/A	013-1-07-001-BQ-010	64,088
Domestic Violence Centers	N/A	56-0529967	45,342
<b>NC Department of Health and Human Services:</b>			
Division of Social Services:			
Child Advocacy Center	N/A	01138-09	17,857
Division of Child Development:			
Union County Partnership for Children	N/A	09-205	52,166
<b>NC Department of Justice</b>			
Payday Lender Grant	N/A	56-0529967	-
<b>TOTAL STATE AWARDS</b>			<b>294,198</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 1,112,679</b>

**UNITED FAMILY SERVICES, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

**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, 2009**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

- |  |                    |                        |
|--|--------------------|------------------------|
| 1. Type of auditors’ report issued   | <u>Unqualified</u> |                        |
| 2. Internal control over financial reporting:  |                    |                        |
| • Material weaknesses identified?  | <u>X</u> Yes       | ___ No                 |
| • Significant deficiencies identified that are not considered to be material weaknesses? | ___ Yes            | <u>X</u> None Reported |
| 3. Noncompliance material to financial statements noted?                                 | ___ Yes            | <u>X</u> No            |

**Federal Awards**

- |  |                    |                   |
|--|--------------------|-------------------|
| 1. Internal control over major federal programs:   |                    |                   |
| • Material weaknesses identified?  | ___ Yes            | <u>X</u> No       |
| • Significant deficiencies identified that are not considered to be material weaknesses?   | <u>X</u> Yes       | ___ None Reported |
| 2. Type of auditors’ report issued on compliance for major Federal programs:   | <u>Unqualified</u> |                   |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?                        | ___ Yes            | <u>X</u> No       |
| 4. Identification of major federal programs –<br><u>Name of Federal Program or Cluster</u><br>National Foreclosure Mitigation Counseling Program |                    |                   |
| 5. Dollar threshold used to distinguish between Type A and Type B Programs   | <u>\$300,000</u>   |                   |
| 6. Auditee qualified as low risk auditee?  | ___ Yes            | <u>X</u> No       |

**UNITED FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**Section II – Financial Statement Findings**

**2009 – 1**

***Material Weakness:***

**Support Schedule Preparation and Review Process**

The net assets, pledges, grants, and accounts 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, significant journal entries were proposed for these areas as part of the audit. In addition, the Agency's policy is to report financial results on the accrual basis on a quarterly basis. This report includes an accrual balance sheet. During the year ended June 30, 2009 this quarterly reporting was not provided to the Board of Directors. 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. Finally, the Agency should follow its policy to report accrual basis financial results to the Board of Directors on a quarterly basis.

*Management Response:*

*In January 2009, the Agency contracted with CFSC Shared Services, LLC ("Shared Services") for the provision of Accounting, Finance, Payroll and Human Resource services. Shared Services is a non-profit corporation formed through the collaboration of six Charlotte, NC non-profits for the express purpose of providing more efficient and effective back office support services to non-profit agencies. 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 will be providing full monthly financial statements beginning in November. Shared Services has assigned a unit controller specifically assigned to the Agency. The Agency will work with Shared Services to determine which schedules will be maintained and the process for review internally and subsequently by the Finance Committee and Board of Directors.*

**UNITED FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**Section II – Financial Statement Findings (continued)**

**2009 – 2**

***Material Weakness:***

**Vice President of Finance Responsibility**

Over recent years, the Vice President of Finance has taken many steps to ensure that another individual would be able to perform the more detailed and complex accounting and finance functions, in the event that he was not available. In the current year it was observed that journal entries required to be posted were not posted in a timely manner to record activity in accounts in the current year. In addition, internal financial statements were not made available for the last three months of the year. Finally, written policies, procedures and job descriptions should be maintained for all key employees of the Agency. This will allow another individual to perform these functions if it ever becomes necessary.

*Management Response:*

*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.*

**Section III – Federal Award Findings and Questioned Costs**

**Finding: 2009-3 (Significant Deficiency in Internal Control Over Compliance)**

**Condition:** The Agency did not complete and submit the required monthly reports for certain of its grants on a timely basis. In addition, the monthly reports for support costs did not contain the appropriate supporting documentation.

**Effect:** Required reporting was not filed on a timely basis during the year or was filed with incomplete documentation.

**Cause:** There was no clear communication as to who should be completing and submitting the monthly reports.

**Recommendation:** We recommend management implement a policy to ensure the required monthly reports are submitted on a timely basis with the appropriate documentation.

***Management's***

***Response:*** *The Agency and Shared Services will develop and implement a procedure that clearly delineates who has the responsibility for preparing financial reports for restricted revenue funders. The procedure will also delineate the expectations of reporting time frames, accuracy and review prior to finalization of any report. This procedure will be fully implemented by November 30, 2009.*

**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, 2009**

No single audit was required for the year ended June 30, 2008, thus no findings were reportable.