

WAKE ENTERPRISES, INC

Raleigh, North Carolina

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 30, 2012

WAKE ENTERPRISES, INC.

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June 30, 2012

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INDEPENDENT AUDITOR'S REPORT


To the Board of Directors of
Wake Enterprises, Inc.

We have audited the accompanying statement of financial position of Wake Enterprises, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wake Enterprises, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2012, on our consideration of Wake Enterprises, Inc.'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 testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Raleigh, North Carolina
August 22, 2012

WAKE ENTERPRISES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

Current Assets:

Cash - unrestricted	\$ 676,961
Cash - restricted	16,781
Cash - sinking fund	55,604
Accounts receivable:	
Trade, net of allowance for doubtful accounts of \$3,000	242,982
Sales tax refund receivable	6,887
Other	64
Investments	618,221
Prepaid expenses	63,360
Total Current Assets	<u>1,680,860</u>

Property and Equipment:

Equipment	129,723
Furniture and fixtures	179,894
Vehicles	107,905
Buildings and improvements	3,519,469
Land and improvements	912,561
	<u>4,849,552</u>
Less: accumulated depreciation	(1,562,709)
Total Property and Equipment	<u>3,286,843</u>

Other Assets:

Bond origination fees, net	<u>116,554</u>
Total Assets	<u>\$ 5,084,257</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 79,740
Accrued salaries and vacation	86,312
Accrued payroll taxes and withholdings	28,388
Current maturities of long-term debt	<u>110,000</u>
Total Current Liabilities	304,440

Long-term Debt:

Bond payable, net of current maturities	<u>3,185,000</u>
Total Liabilities	<u>3,489,440</u>

Commitments - Note 5

Contingency - Note 7

Net Assets:

Unrestricted net assets:	
Net investment in property and equipment	(8,157)
Undesignated	<u>1,586,193</u>
Total unrestricted net assets	1,578,036
Temporarily restricted net assets	16,781
Permanently restricted net assets	<u>-0-</u>
Total Net Assets	<u>1,594,817</u>

Total Liabilities and Net Assets \$ 5,084,257

The accompanying notes are an integral part of these financial statements.

WAKE ENTERPRISES, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Adult Day Vocational Program	\$ 455,685	\$ -0-	\$ -0-	\$ 455,685
Community Alternative Program for People with Mental Retardation/ Developmental Disabilities	1,448,929			1,448,929
ICFMR Day Services	891,448			891,448
Vocational Rehabilitation	2,042			2,042
Miscellaneous pay for services	16,307			16,307
United Way	43,957			43,957
Special events	64,542	14,250		78,792
City of Raleigh	8,000			8,000
Contributions	26,266	3,000		29,266
In-kind contributions	20,949			20,949
Contract sales	209,620			209,620
Interest income	13,336			13,336
Gain on sale of property and equipment	3,150			3,150
Unrealized gain on stock	1,000			1,000
Grant	30,980			30,980
Rental income	25,760			25,760
Miscellaneous	24,419			24,419
Total Support and Revenues	<u>3,286,390</u>	<u>17,250</u>	<u>-0-</u>	<u>3,303,640</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	469	(469)	-0-	-0-
Total Support, Revenues and Reclassifications	<u>3,286,859</u>	<u>16,781</u>	<u>-0-</u>	<u>3,303,640</u>
Expenses:				
Program services	2,343,758	-0-	-0-	2,343,758
Production expenses	470,910			470,910
Development (fund raising) expenses	77,651			77,651
Management and general expenses	424,884			424,884
Total Expenses	<u>3,317,203</u>	<u>-0-</u>	<u>-0-</u>	<u>3,317,203</u>
Increase (decrease) in Net Assets	(30,344)	16,781	-0-	(13,563)
Net Assets, Beginning of Year as restated	<u>1,608,380</u>	<u>-0-</u>	<u>-0-</u>	<u>1,608,380</u>
Net Assets, End of Year	<u>\$ 1,578,036</u>	<u>\$ 16,781</u>	<u>\$ -0-</u>	<u>\$ 1,594,817</u>

The accompanying notes are an integral part of these financial statements.

WAKE ENTERPRISES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	<u>Program</u>	<u>Production</u>	<u>Development (Fund Raising)</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,565,625	\$ 228,268	\$ 33,320	\$ 266,022	\$ 2,093,235
Payroll taxes and benefits	345,806	42,797	3,222	54,904	446,729
Background checks	1,090	59	8	75	1,232
Drug screening	2,590	89	30	460	3,169
Telephone	21,377	2,330	264	7,397	31,368
Utilities	33,884	24,108	304	6,194	64,490
Maintenance and repairs	76,343	38,293	1,265	16,144	132,045
Supplies	63,722	28,117	282	13,328	105,449
Advertising	1,893	1,368	3,858	1,309	8,428
Interest	29,891	21,251	273	4,545	55,960
Dues	7,544	193	548	1,799	10,084
Professional fees				11,724	11,724
Accreditation	1,216				1,216
Staff training	20,049	870	602	5,439	26,960
Postage	61	11	946	982	2,000
Travel	338	13	680	1,257	2,288
Transportation	37,238				37,238
Insurance	19,171	13,630	175	2,915	35,891
Printing	210				210
Depreciation	93,741	66,646	856	14,254	175,497
Amortization	2,879	2,047	26	438	5,390
Event expenses			30,365		30,365
Miscellaneous	19,090	820	627	15,698	36,235
Total Functional Expenses	<u>\$ 2,343,758</u>	<u>\$ 470,910</u>	<u>\$ 77,651</u>	<u>\$ 424,884</u>	<u>\$ 3,317,203</u>

The accompanying notes are an integral part of these financial statements.

WAKE ENTERPRISES, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$	(13,563)
Adjustment to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		175,497
Amortization		5,390
Gain on sale of property and equipment		(3,150)
Decrease in accounts receivable - trade		36,863
Decrease in sales tax refund receivable		2,269
Decrease in accounts receivable - other		367
Increase in prepaid expenses		(1,534)
Increase in accounts payable and accrued expenses		45,647
Decrease in accrued salaries and vacation		(63,050)
Increase in accrued payroll taxes and withholdings		19,901

NET CASH PROVIDED BY
OPERATING ACTIVITIES

204,637

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from investment redemptions	253,874
Proceeds from sale of property and equipment	3,150
Purchase of property and equipment	<u>(25,150)</u>

NET CASH PROVIDED BY
INVESTING ACTIVITIES

231,874

The accompanying notes are an integral part of these financial statements.

CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payment on bond	\$ (105,000)
NET CASH USED BY FINANCING ACTIVITIES	<u>(105,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	331,511
 CASH AND CASH EQUIVALENTS:	
BEGINNING OF YEAR	<u>417,835</u>
END OF YEAR	<u><u>\$ 749,346</u></u>
 SUPPLEMENTAL DISCLOSURES:	
Cash paid during the year for: Interest	<u><u>\$ 55,960</u></u>

The accompanying notes are an integral part of these financial statements.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NATURE OF OPERATIONS

Nature of Activities

Wake Enterprises, Inc. (the Organization) was incorporated in North Carolina on August 15, 1979. The Organization operates as an Adult Day Vocational Program committed to the vocational and social development of adults (participants) who are developmentally disabled. The Organization operates primarily in Wake County, North Carolina.

Basis of Accounting

The Organization records its transactions using the accrual basis method of accounting whereby revenue is recognized when earned and the related expenses are recognized when the obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) topic No. 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report financial 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.

Cash

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit with maturities greater than three months and a marketable equity security. Under FASB ASC 958 Not-for-Profit Entities, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized net gains and losses are included in the change of net assets.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NATURE OF OPERATIONS - continued

Contributed Services

During the year ended June 30, 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its activities, but these services do not meet the criteria for recognition as contributed services.

Contributions

All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a temporary restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

During the year ended June 30, 2012, the Organization received donated materials meeting the requirements for recognition in the financial statements as follows:

Program supplies	\$ 13,629
Computer	1,100
Repairs	220
Office supplies	6,000
Total	<u>\$ 20,949</u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NATURE OF OPERATIONS - continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All receivables at June 30, 2012 were uncollateralized. Management does not charge interest on accounts receivable and receivables not collected within 90 days of due date are considered to be past due.

Property and Equipment

Property and equipment are stated at cost and include expenditures for major betterments and renewals. Maintenance, repairs, and other minor renewals (less than \$5,000) are expensed as incurred. Property retired or sold and the related depreciation or amortization are removed from the accounts; gain or loss, if any, is taken into income.

The net fixed asset balances have been recorded as a separate component in unrestricted net assets.

Depreciation

Depreciation is computed for financial statement purposes using the straight-line method over the following estimated useful lives:

Equipment	3 - 5 Years
Furniture and fixtures	3 - 5 Years
Vehicles	3 - 5 Years
Buildings and improvements	10 - 18 Years
Land improvements	10 Years

Depreciation expense for the year ended June 30, 2012 was \$175,497.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NATURE OF OPERATIONS - continued

Income Taxes

The Organization is exempt from both federal and state income taxes for all program related income under section 501(c)(3) of the Internal Revenue Code. The Organization is taxed on all unrelated business income at normal income tax rates. There was no unrelated business income for the year ended June 30, 2012.

In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1) and has been qualified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

The Organization follows guidance in ASC 740-10 as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current liabilities within the Organization's financial statements. Based on an evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2012.

Income tax returns have not been examined by the Internal Revenue Service or by the state of North Carolina within the last three years (2011, 2010 and 2009) and remain open to examination. No waivers have been signed extending the Statute of Limitations on years otherwise barred. However, the Organization is not currently under audit nor has it been contacted by either of these jurisdictions.

Retirement Plan

The Organization offers a retirement plan (403-B) to essentially all of its employees upon meeting certain minimum age and employment qualifications. The Organization provides matching contributions based on a vesting schedule for those employees with greater than one year of service. For the year ended June 30, 2012, the Organization's matching contributions for this plan were \$17,147.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NATURE OF OPERATIONS - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value reflected in the Statement of Financial Condition for cash, investments, accounts receivable, prepaid expenses, accounts payable and accrued expenses, accrued salaries and vacation, and accrued payroll and withholdings approximate the respective fair values due to the short maturities of those instruments. The recorded value of the long-term bond payable approximates its fair value, as interest approximates market rates for similar financial instruments.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2012 were \$8,428.

Functional Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Payroll and payroll related expenses are charged to various functions based on employee time records. Occupancy costs are allocated based on the amount of space (square footage) used for various functions. Most of the remaining costs can be directly related to specific functions. Costs not related to payroll or occupancy and not directly related to a specific function are generally charged to management and general expenses.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - INVESTMENTS

Investments at June 30, 2012 consisted of the following items:

Bank certificates of deposit with maturities greater than three months and less than one year	\$ 610,000
Marketable equity security	8,221
Total	<u>\$ 618,221</u>

Investments in bank certificates of deposit are recorded at historical cost plus accrued interest.

Wake Enterprises, Inc. has received two unrestricted donations of 20 shares each of International Business Machine common stock. The security is carried at fair market value and the increase in fair market value of \$1,000 for the year ended June 30, 2012 is reported in the statement of activities. Fair market value of the marketable security at June 30, 2012 was as follows:

<u>Contribution Date</u>	<u>Fair Market Value At Contribution Date</u>	<u>Gross Unrealized Gain</u>	<u>Fair Market Value 6/30/2012</u>
9/18/2007	\$ 2,088	\$ 1,866	\$ 3,954
8/12/2009	2,386	1,567	3,953
	<u>\$ 4,474</u>	<u>\$ 3,433</u>	<u>7,907</u>
Cumulative dividends reinvested			314
Total fair market value at June 30, 2012			<u>\$ 8,221</u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - LONG-TERM DEBT

Long-term debt at June 30, 2012 consisted of the following:

Industrial Facilities Revenue Bond payable in annual installments of varying amounts through February, 2034, plus interest adjusted on a weekly basis and set at the prevailing market rate for tax exempt bonds as determined by the Remarketing Agent; collateralized by a letter of credit issued by a bank. The letter of credit is collateralized by all accounts receivable, equipment, furniture, fixtures, and real estate with a total cost of \$5,099,485. The bond and letter of credit terms include comprehensive loan and letter of credit agreements covering use of bond proceeds, limits on additional borrowings, maintenance of certain financial ratios, and other requirements.

	\$ 3,295,000
	<u>3,295,000</u>
Less: current maturities	(110,000)
Total	<u><u>\$ 3,185,000</u></u>

Interest of \$55,960 was charged to operations on the above long-term note payable for the year ended June 30, 2012.

Minimum maturities of long-term debt at June 30, 2012 are as follows:

Year Ended June 30	
2013	\$ 110,000
2014	110,000
2015	115,000
2016	120,000
2017 to 2021	645,000
2022 to 2026	750,000
2027 to 2031	860,000
2032 to 2034	585,000
Total	<u><u>\$ 3,295,000</u></u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - LONG-TERM DEBT - continued

Wake Enterprises, Inc. is required under the Letter of Credit agreement to make monthly deposits into a sinking fund bank account an amount equal to one twelfth of the principal due the following year.

Minimum sinking fund deposit requirements at June 30, 2012 are as follows:

<u>Year Ended</u> <u>June 30</u>	
2012	\$ 45,833
2013	110,000
2014	112,083
2015	117,083
2016	120,000
2017 to 2021	653,333
2022 to 2026	760,417
2027 to 2031	870,417
2032 to 2032	505,834
Total	<u>\$ 3,295,000</u>

Bond origination costs consisting of \$134,744 are being amortized over the estimated bond repayment term using the straight-line method. Amortization expense for the year ended June 30, 2012 was \$5,390.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Wake Enterprises, Inc. received a donation from the Knights of Columbus in the amount of \$3,000 for the purchase of a vehicle. As of June 30, 2012, The Organization has yet to purchase a vehicle.

The Organization also sponsored a fund raising event at the gala to help fund program supplies, transportation costs, teachers and other program expenses for the participants. The amount that was raised from this event amounted to \$14,250, of which \$469 was used to purchase a sound system.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - COMMITMENTS

Software Maintenance and Support

Wake Enterprises, Inc. has contracted with a software vendor for maintenance and support of its primary human resource and billing software programs. The contract calls for an annual payment of \$6,550 and expires on June 30, 2013. The contract does not automatically renew; however, the Organization does anticipate negotiating a similar contract at its expiration.

Leased Property

The Organization leases a commercial building to an unrelated third party under a three year noncancelable operating lease expiring June 30, 2014. This lease contains a purchase option which expires if not exercised by the termination of the lease. Rental income from this operating lease as of June 30, 2012 amounted to \$25,760.

Future minimum rental income to be received under this noncancelable lease as of June 30, 2012 are:

Year Ended June 30	
2013	\$ 60,000
2014	81,600
Total	<u>\$ 141,600</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Banking

Two members of the Organization's Board of Directors are employed as officers at the same bank that the Organization maintains a depository relationship. The board members do not take part in or vote on any matters pertaining to the Organization's banking relationships.

People Served

The Organization's by-laws require that family members of its participants served make up no less than 25% of the Board of Directors. For the year ended June 30, 2012, nine of the total nineteen board members were family members of the participants served.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - RELATED PARTY TRANSACTIONS - continued

Production Services

Two members of the Wake Enterprises, Inc.'s Board of Directors are employed by a company that purchases production services from the Organization. Total sales revenue earned from these companies during the year ended June 30, 2012 was \$1,930.

A staff members daughter is employed by a company that purchases production services from the Organization. Total sales revenue was \$108.

Two members of Wake Enterprises, Inc.'s Board of Directors also serve on the board of Autism Services. During the year ended June 30, 2012, revenue from Autism Services of \$83,844 was recognized for services rendered. At June 30, 2012, there were no accounts receivable due from Autism Services.

Related Board of Directors

Two officers of Wake Enterprises, Inc.'s Board of Directors are employed by a company that manages member organizations. One of those organizations is the North Carolina Association of Rehabilitation Facilities (NCARF). Wake Enterprises, Inc. has been a member of NCARF for over ten years. The company began management of NCARF approximately two years ago. The two officers on the Board of Directors had no influence in the decision of Wake Enterprises, Inc. becoming a member of NCARF. The Organization has contracted with this management company to provide pre-employment background screenings. The total paid for these services during the year ended June 30, 2012 was \$3,116.

NOTE 7 - CONTINGENCY

Balances in Excess of Federal Insured Limits

The Organization places its cash equivalents with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for deposits held in non-interest bearing transactions accounts through December 31, 2012. During the year, the Organization from time to time may have amounts in deposits in excess of insured limits. Uninsured cash balances aggregated to \$259,929 at June 30, 2012.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 - AMERICAN RECOVERY AND REINVESTMENT ACT GRANT

Wake Enterprises, Inc. was awarded a grant totaling \$76,843 under the American Recovery and Reinvestment Act of 2009. The purpose of the grant was to create community-based internships in horticulture and landscaping for vocational rehabilitation clients with severe/significant disabilities that will expand their community employment opportunities and income potential. The grant began on August 15, 2010 and terminated on September 30, 2011. Grant requirements included monthly financial reports, monthly activity reports and minimum levels of performance. Total revenue earned under the grant for the year ended June 30, 2012 was \$30,980. There was no provision for renewal of the grant after the termination date.

NOTE 9 - ECONOMIC DEPENDENCY

The Organization receives approximately 71% of its total support from two funding sources.

NOTE 10 - PRIOR PERIOD ADJUSTMENT - CORRECTION OF AN ACCOUNTING ERROR

In reviewing the Organization's financial records, management discovered an error in the amount of depreciation expense charged to operations during the prior year. As a result of the error, accumulated depreciation was understated by \$30,248 and net assets were overstated by the same amount. To correct the error, Management has made an adjustment to increase accumulated depreciation and reduce unrestricted net assets by \$30,248 at the beginning of the year.

Fund balance, beginning of year	\$ 1,638,628
Prior period adjustment	<u>(30,248)</u>
Fund balance, beginning of year as restated	<u>\$ 1,608,380</u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 - SUBSEQUENT EVENTS

Agency Endowment Fund

On July 12th, 2012, Wake Enterprises, Inc. entered into an agreement with the North Carolina Community Foundation, Inc. (Foundation) to establish an endowment fund for the benefit of the Organization. The agreement calls for the income from the endowment fund to be distributed annually for the general operating support of Wake Enterprises, Inc. While the stated intention of the agreement is that the principal is not to be distributed, the principal may be distributed at the Foundation's discretion.

At the time the agreement was signed, Wake Enterprises, Inc. transferred 41,855 shares of International Business Machine common stock with a fair market value of \$8,147 and cash of \$16,853 as an initial contribution to the fund. The agreement does not contain any requirements for further contributions.

Management Evaluation Date

Management has evaluated subsequent events through August 22, 2012, the date on which the financial statements were available to be issued.

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

To the Board of Directors of
Wake Enterprises, Inc.

We have audited the financial statements of Wake Enterprises, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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


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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wake Enterprises, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 North Carolina Department of Humans Services, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Raleigh, North Carolina
August 22, 2012