

WAKE ENTERPRISES, INC.

Raleigh, North Carolina

FINANCIAL STATEMENTS

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

June 30, 2011

WAKE ENTERPRISES, INC.

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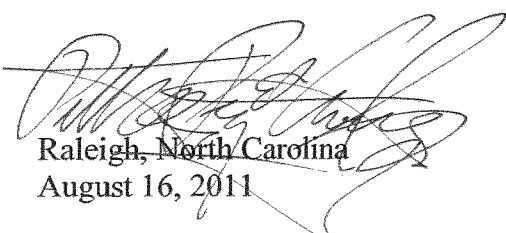
INDEPENDENT AUDITORS' REPORT

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, 2011, 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. 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, 2011, 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.



Raleigh, North Carolina
August 16, 2011

WAKE ENTERPRISES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS

Current Assets:

Cash - unrestricted	\$	374,230
Cash - sinking fund		43,605
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$3,000		279,845
Sales tax refund receivable		9,156
Other		431
Investments		872,095
Prepaid expenses		61,826
Total Current Assets		<u>1,641,188</u>

Property and Equipment:

Equipment	108,873
Furniture and fixtures	184,591
Vehicles	113,405
Buildings and improvements	3,519,469
Land and improvements	912,561
	<u>4,838,899</u>
Less: accumulated depreciation	(1,371,459)
Total Property and Equipment	<u>3,467,440</u>

Other Assets:

Bond origination fees, net	<u>121,943</u>
Total Assets	<u><u>\$ 5,230,571</u></u>

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

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 34,094
Accrued salaries and vacation	149,362
Accrued payroll taxes and withholdings	8,487
Current maturities of long-term debt	<u>105,000</u>
Total Current Liabilities	296,943

Long-term Debt:

Bond payable, net of current maturities	<u>3,295,000</u>
Total Liabilities	<u>3,591,943</u>

Commitments - Note 5

Contingency - Note 7

Net Assets:

Unrestricted net assets:	
Net investment in property and equipment	67,440
Undesignated	<u>1,571,188</u>
Total unrestricted net assets	1,638,628
Temporarily restricted net assets	-0-
Permanently restricted net assets	<u>-0-</u>
Total Net Assets	<u>1,638,628</u>

Total Liabilities and Net Assets \$ 5,230,571

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

WAKE ENTERPRISES, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues:				
Adult Day Vocational Program	\$ 461,567	\$ -0-	\$ -0-	\$ 461,567
Community Alternative Program for People with Mental Retardation/ Developmental Disabilities	1,454,266			1,454,266
ICFMR Day Services	873,207			873,207
Vocational Rehabilitation	515			515
Miscellaneous pay for services	9,301			9,301
United Way	51,670			51,670
Special events	62,353			62,353
City of Raleigh	8,000			8,000
Contributions	25,351			25,351
In-kind contributions	735			735
Contract sales	232,271			232,271
Interest income	15,712			15,712
Gain on sale of property and equipment	681			681
Unrealized gain on stock	1,970			1,970
Grant	30,242			30,242
Miscellaneous	6,646			6,646
Total Support and Revenues	<u>3,234,487</u>	<u>-0-</u>	<u>-0-</u>	<u>3,234,487</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Support, Revenues and Reclassifications	<u>3,234,487</u>	<u>-0-</u>	<u>-0-</u>	<u>3,234,487</u>
Expenses:				
Program services	2,217,790	-0-	-0-	2,217,790
Production expenses	488,334			488,334
Development expenses	58,889			58,889
Management and general expenses	443,788			443,788
Total Expenses	<u>3,208,801</u>	<u>-0-</u>	<u>-0-</u>	<u>3,208,801</u>
Increase in Net Assets	25,686	-0-	-0-	25,686
Net Assets, Beginning of Year	<u>1,612,942</u>	<u>-0-</u>	<u>-0-</u>	<u>1,612,942</u>
Net Assets, End of Year	<u>\$ 1,638,628</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,638,628</u>

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

WAKE ENTERPRISES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services				Total
	Adult Day and Vocational	Production	Development (Fund Raising)	Management and General	
Salaries and wages	\$ 1,523,258	\$ 224,587	\$ 13,095	\$ 279,583	\$ 2,040,523
Payroll taxes and benefits	329,293	43,750	1,371	55,537	429,951
Background checks	1,769				1,769
Drug screening	4,980	111		39	5,130
Vaccinations	120				120
Telephone	17,982	2,232	189	5,562	25,965
Utilities	30,760	25,896	607	10,375	67,638
Maintenance and repairs	73,893	45,725	2,347	15,294	137,259
Supplies	38,849	37,633	439	7,719	84,640
Advertising	3,934	2,380	4,731	137	11,182
Interest	25,938	21,388	505	2,713	50,544
Dues	5,250	147	319	660	6,376
Professional fees				19,734	19,734
Accreditation	1,590				1,590
Staff training	20,893	411	3,428	5,774	30,506
Postage	127		653	1,187	1,967
Travel	144	5	41	948	1,138
Transportation	24,939				24,939
Insurance	18,262	15,059	356	1,910	35,587
Depreciation	80,124	66,072	1,561	8,382	156,139
Amortization	2,766	2,281	54	289	5,390
Event expenses			28,744		28,744
Miscellaneous	12,919	657	449	27,945	41,970
Total Functional Expenses	\$ 2,217,790	\$ 488,334	\$ 58,889	\$ 443,788	\$ 3,208,801

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

WAKE ENTERPRISES, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$	25,686
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		156,139
Amortization		5,390
Gain on sale of property and equipment		(681)
Decrease in accounts receivable - trade		10,003
Decrease in sales tax refund receivable		4,206
Increase in accounts receivable - other		(140)
Increase in prepaid expenses		(7,687)
Decrease in inventory		26,813
Decrease in accounts payable and accrued expenses		(18,484)
Increase in accrued salaries and vacation		20,393
Increase in accrued payroll taxes and withholding		2,239

NET CASH PROVIDED BY
OPERATING ACTIVITIES 223,877

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from investment redemptions	163,077
Purchase of investments	(315,000)
Proceeds from sale of property and equipment	681
Purchase of property and equipment	<u>(34,250)</u>

NET CASH USED BY
INVESTING ACTIVITIES (185,492)

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

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payment on bond	\$ (100,000)
NET CASH USED BY FINANCING ACTIVITIES	<u>(100,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,615)

CASH AND CASH EQUIVALENTS:

BEGINNING OF YEAR	<u>479,450</u>
END OF YEAR	<u><u>\$ 417,835</u></u>

SUPPLEMENTAL DISCLOSURES:

Cash paid during the year for: Interest	<u><u>\$ 50,544</u></u>
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The accompanying notes are an integral part of these financial statements.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 (people served) 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, investment 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, 2011

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

Contributed Services

During the year ended June 30, 2011, 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, 2011, the Organization received donated materials meeting the requirements for recognition in the financial statements as follows:

Program supplies	\$	200
Office supplies		535
Total	\$	<u>735</u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011 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, 2011 was \$156,139.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011.

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.

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, 2011, Organization matching contributions for this plan were \$17,863.

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.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2011 were \$11,182.

NOTE 2 - INVESTMENTS

Investments at June 30, 2011 consisted of the following items:

Bank certificates of deposit with maturities greater than three months and less than one year	\$ 865,000
Marketable equity security	7,095
Total	<u>\$ 872,095</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 \$1,970 for the year ended June 30, 2011 is reported in the statement of activities. Fair market value of the marketable security at June 30, 2011 was as follows:

Contribution Date	Fair Market Value At Contribution Date	Gross Unrealized Gain	Fair Market Value 6/30/2010
9/18/2007	\$ 2,088	\$ 1,366	\$ 3,454
8/12/2009	2,386	1,067	3,453
	<u>\$ 4,474</u>	<u>\$ 2,433</u>	<u>6,907</u>
Cumulative dividends reinvested			188
Total fair market value at June 30, 2011			<u>\$ 7,095</u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - LONG-TERM DEBT

Long-term debt at June 30, 2011 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 \$5,128,331. 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.

	\$ 3,400,000
	<u>3,400,000</u>
Less: current maturities	(105,000)
Total	<u><u>\$ 3,295,000</u></u>

Interest of \$50,544 was charged to operations on the above long-term note payable for the year ended June 30, 2011.

Minimum maturities of long-term debt at June 30, 2011 are as follows:

Year Ended June 30	
2012	\$ 105,000
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>\$ 3,400,000</u></u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 beginning in February of 2010 in an amount equal to one twelfth of the principal due the following year.

Minimum sinking fund deposit requirements at June 30, 2011 are as follows:

<u>Year Ended</u> <u>June 30</u>	
2011	\$ 43,600
2012	107,083
2013	110,000
2014	112,083
2015	117,083
2016 to 2020	636,250
2021 to 2025	735,417
2026 to 2030	845,417
2031 to 2034	693,067
Total	<u>\$ 3,400,000</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, 2011 was \$5,390.

NOTE 4 - RESTRICTED NET ASSETS

There were no temporary or permanently restricted assets on June 30, 2011.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$6,500 and expires on June 30, 2012. The contract does not automatically renew; however, the Organization does anticipate negotiating a similar contract at its expiration.

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 people served make up no less than 25% of the Board of Directors. For the year ended June 30, 2011, eight of the total eighteen board members were people served family members.

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, 2011 was \$6,697.

Purchases - Business Promotion Products

A member of the Organization's Board of Directors owns a company that sells business promotion products. Wake Enterprises, Inc. purchased stationary, business cards, shirts and janitorial supplies from this company during the year ended June 30, 2011 in the amount of \$20,002.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - RELATED PARTY TRANSACTIONS - continued

Related Board of Directors

Two members of Wake Enterprises, Inc.'s Board of Directors also serve on the board of Autism Services. During the year ended June 30, 2011, revenue from Autism Services of \$82,212 was recognized for services rendered. At June 30, 2011, accounts receivable from Autism Services was \$526.

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, 2011 was \$1,243.

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 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 on deposits in excess of insured limits. Uninsured cash balances aggregate to \$172,355 at June 30, 2011.

NOTE 8 - FUNCTIONAL EXPENSES

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 - 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 serve/significant disabilities that will expand their community employment opportunities and income potential. The grant began on August 15, 2010 and terminates on September 30, 2011. Grant requirements include monthly financial reports, monthly activity reports and minimum levels of performance. Total revenue earned under the grant for the year ended June 30, 2011 was \$30,242. There is no provision for renewal of the grant after the termination date.

NOTE 10 - ECONOMIC DEPENDENCY

The Organization receives approximately 72% of its total support from two funding sources.

NOTE 11 - SUBSEQUENT EVENTS

On July 1, 2011, Wake Enterprises, Inc. leased its property located at 2421 Timber Drive under a three year non-cancelable lease. The lease agreement does not contain any renewal options.

The following is a schedule of future minimum lease payments under this lease:

Year Ended June 30	
2012	\$ 38,640
2013	60,000
2014	81,600
Total	<u>\$ 180,240</u>

The Organization has evaluated subsequent events through August 16, 2011, the date 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, 2011, and have issued our report thereon dated August 16, 2011. 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

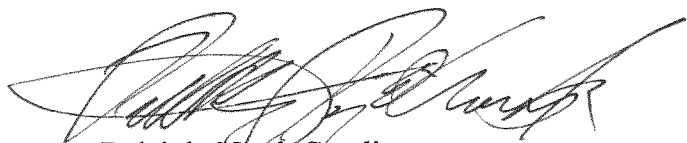
In planning and performing our audit, we considered Wake Enterprises, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness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

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 Standard*.

This report is intended solely for the information and use of management, The North Carolina Department of Human 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.

A handwritten signature in black ink, appearing to be "R. M. ...", written in a cursive style.

Raleigh, North Carolina
August 16, 2011