

Wake Enterprises, Inc.

FINANCIAL STATEMENTS

June 30, 2015 and 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wake Enterprises, Inc.

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Wake Enterprises, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the changes in its activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Raleigh, North Carolina

November 11, 2015

Wake Enterprises, Inc.
Statements of Financial Position

<i>June 30,</i>	2015	2014
Assets		
Current Assets:		
Cash and equivalents	\$ 897,575	\$ 477,565
Certificates of deposit	681,000	638,669
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$3,000 and \$3,000 in 2015 and 2014	318,343	402,612
Other receivables	16,891	12,915
Endowment fund	33,047	32,092
Prepaid expenses	69,117	77,108
Other current assets	1,392	258
Total Current Assets	2,017,365	1,641,219
Property and Equipment:		
Equipment	154,301	154,723
Furniture and fixtures	137,990	190,934
Vehicles	209,282	207,282
Buildings and improvements	2,959,674	3,542,366
Total depreciable property	3,461,247	4,095,305
Less: accumulated depreciation	(1,434,647)	(1,899,034)
Net depreciable property	2,026,600	2,196,271
Land	778,985	912,561
Total Property and Equipment	2,805,585	3,108,832
Other Assets:		
Bond origination fees, net	100,372	105,774
Total assets	\$ 4,923,322	\$ 4,855,825

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

Wake Enterprises, Inc.
Statements of Financial Position (Continued)

<i>June 30,</i>	2015	2014
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 47,978	\$ 41,395
Accrued salaries and vacation	88,658	97,961
Accrued payroll taxes and withholdings	27,835	36,744
Current maturities of long-term debt	-	115,000
Total current liabilities	164,471	291,100
Long-term Debt:		
Bonds payable, net of current maturities	2,685,000	2,960,000
Total liabilities	2,849,471	3,251,100
Net assets		
Unrestricted net assets:		
Net investment in property and equipment	120,585	33,831
Undesignated	1,925,036	1,535,664
Total unrestricted net assets	2,045,621	1,569,495
Temporarily restricted net assets	28,230	35,230
Total net assets	2,073,851	1,604,725
Total liabilities and net assets	\$ 4,923,322	\$ 4,855,825

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

Wake Enterprises, Inc.
Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Program revenue	\$ 2,545,873	\$ -	\$ -	\$ 2,545,873
Contract sales	139,807	-	-	139,807
Contributions	99,440	5,149	-	104,589
In-kind contributions	1,360	-	-	1,360
Grant revenue	-	37,049	-	37,049
Special events, net	18,868	-	-	18,868
Rental income	44,900	-	-	44,900
Miscellaneous income	9,513	-	-	9,513
Interest income	6,269	-	-	6,269
Endowment earnings	955	-	-	955
Gain on sale of property and equipment	487,686	-	-	487,686
Net Assets released from restrictions:				
Restrictions satisfied by providing program services	49,198	(49,198)	-	-
Total revenue, gains and other support	3,403,869	(7,000)	-	3,396,869
Expenses:				
Program services	2,110,526	-	-	2,110,526
Production expenses	375,839	-	-	375,839
Development expenses	38,087	-	-	38,087
Management and general expenses	403,291	-	-	403,291
Total Expenses	2,927,743	-	-	2,927,743
Changes in net assets	476,126	(7,000)	-	469,126
Net Assets, Beginning of Year	1,569,495	35,230	-	1,604,725
Net Assets, End of Year	\$ 2,045,621	\$ 28,230	\$ -	\$ 2,073,851

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

Wake Enterprises, Inc.
Statements of Activities and Changes in Net Assets (Continued)

<i>Year ended June 30, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:				
Program revenue	\$ 2,561,041	\$ -	\$ -	\$ 2,561,041
Contract sales	138,736	-	-	138,736
Contributions	47,915	10,700	-	58,615
In-kind contributions	2,909	-	-	2,909
Grant revenue	-	98,146	-	98,146
Special events, net	23,277	-	-	23,277
Rental income	65,000	-	-	65,000
Interest income	7,879	-	-	7,879
Miscellaneous income	1,277	-	-	1,277
Endowment earnings	2,863	-	-	2,863
Gain on sale of property and equipment	2,500	-	-	2,500
Net Assets released from restrictions:				
Restrictions satisfied by providing program services	37,269	(37,269)	-	-
Restrictions satisfied by providing acquisition of property and equipment	63,292	(63,292)	-	-
Total revenue, gains and other support	2,953,958	8,285	-	2,962,243
Expenses:				
Program services	2,158,761	-	-	2,158,761
Production expenses	364,177	-	-	364,177
Development expenses	46,108	-	-	46,108
Management and general expenses	423,637	-	-	423,637
Total expenses	2,992,683	-	-	2,992,683
Change in net assets	(38,725)	8,285	-	(30,440)
Net assets, beginning of year	1,608,220	26,945	-	1,635,165
Net assets, end of year	\$ 1,569,495	\$ 35,230	\$ -	\$ 1,604,725

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

Wake Enterprises, Inc.
Statements of Functional Expenses

<i>Year ended June 30, 2015</i>	Program			Management	Total
	Services	Production	Development	and General	
Salaries and wages	\$ 1,326,096	\$ 150,817	\$ 27,761	\$ 261,614	\$ 1,766,288
Benefits and payroll taxes	391,659	32,017	4,119	53,862	481,657
Depreciation	97,436	57,044	491	17,714	172,685
Maintenance and repairs	63,310	54,764	771	11,704	130,549
Supplies	53,550	12,610	297	4,292	70,749
Utilities	39,075	27,908	368	5,741	73,092
Interest expense	25,777	18,338	210	3,987	48,312
Insurance	22,644	16,099	207	3,722	42,672
Transportation	32,119	23	-	651	32,793
Miscellaneous	699	67	426	16,664	17,856
Telephone	17,238	2,078	973	3,230	23,519
Staff training	14,124	1,168	478	3,509	19,279
Professional fees	5,647	-	-	8,700	14,347
Preemployment expenses	13,543	111	14	325	13,993
Dues	959	546	719	5,276	7,500
Amortization	2,880	2,046	26	450	5,402
Advertising	60	203	-	307	570
Travel	-	-	757	781	1,538
Postage	647	-	409	762	1,818
Accreditation	3,000	-	-	-	3,000
Printing	63	-	61	-	124
Total functional expenses	\$ 2,110,526	\$ 375,839	\$ 38,087	\$ 403,291	\$ 2,927,743

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

Wake Enterprises, Inc.
Statements of Functional Expenses (Continued)

<i>Year ended June 30, 2014</i>	Program			Management	Total
	Services	Production	Development	and General	
Salaries and wages	\$ 1,414,355	\$ 136,904	\$ 37,920	\$ 272,110	\$ 1,861,289
Benefits and payroll taxes	346,246	29,437	2,531	51,814	430,028
Depreciation	95,045	56,769	493	19,697	172,004
Maintenance and repairs	76,623	54,880	716	13,900	146,119
Supplies	42,506	20,485	265	7,463	70,719
Utilities	37,116	26,088	320	5,807	69,331
Interest expense	23,293	16,375	195	3,623	43,486
Insurance	22,068	14,526	187	3,458	40,239
Transportation	35,255	-	-	-	35,255
Miscellaneous	7,718	1,430	95	13,777	23,020
Telephone	16,070	2,298	761	3,049	22,178
Staff training	20,637	792	63	6,755	28,247
Professional fees	5,300	-	-	9,301	14,601
Preemployment expenses	12,383	217	-	350	12,950
Dues	-	125	825	6,277	7,227
Amortization	2,880	2,046	26	438	5,390
Advertising	884	1,243	1,076	2,025	5,228
Travel	234	562	74	2,965	3,835
Postage	95	-	561	828	1,484
Accreditation	53	-	-	-	53
Printing	-	-	-	-	-
Total functional expenses	\$ 2,158,761	\$ 364,177	\$ 46,108	\$ 423,637	\$ 2,992,683

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

Wake Enterprises, Inc.
Statements of Cash Flows

<i>Years ended June 30,</i>	2015	2014
Operating activities		
Change in net assets	\$ 469,126	\$ (30,440)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization	5,402	5,390
Depreciation	172,685	172,004
Gain on sale of fixed assets	(487,686)	(2,500)
Unrealized (gain) loss on investments	(955)	(2,863)
Decrease (increase) in accounts receivable - trade	84,269	(93,621)
(Increase) decrease in other accounts receivables	(3,976)	16,635
Increase (decrease) in prepaid expenses and other assets	6,857	(8,961)
(Increase) decrease in accounts payable and accrued expenses	6,583	(32,732)
(Decrease) increase in accrued salaries and vacation	(9,303)	11,275
(Decrease) increase in accrued payroll taxes and withholdings	(8,909)	22,874
Net cash (used by) provided by operating activities	234,093	57,061
Investing activities		
Endowment contributions	-	(700)
Redemptions of certificates of deposit	209,087	-
Purchase of certificates of deposit	(251,418)	(17,465)
Proceeds from sale of property and equipment	626,303	2,500
Purchases of property and equipment	(8,055)	(104,689)
Net cash provided by (used by) investing activities	575,917	(120,354)
Financing activities		
Payment of long-term debt	(390,000)	(110,000)
Net cash used by financing activities	(390,000)	(110,000)
Net increase (decrease) in cash	420,010	(173,293)
Cash at beginning of year	477,565	650,858
Cash at end of year	\$ 897,575	\$ 477,565
Supplementary disclosures		
Cash paid during the year for interest	\$ 48,312	\$ 43,486

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

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

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Nature of Activities

Wake Enterprises, Inc. (the Organization) is a private, IRS Section 501(c)(3) not-for-profit organization that was incorporated in North Carolina on August 15, 1979. The Organization provides vocational and social development services to adults who are developmentally disabled (participants). The Organization operates primarily in Wake County, North Carolina.

Basis of Accounting

The Organization records transactions using the accrual basis of accounting, whereby revenue is recognized when earned and related expenses are recognized when obligated. The Organization records assets, liabilities, and equity transactions using the historical cost method under accounting principles generally accepted in the United State of America (GAAP).

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *Accounting Standards Codification (ASC) topic 958, Not-for-Profit Entities*. Under 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. There were no permanently restricted net assets at June 30, 2015 and 2014.

Cash and cash equivalents

The Organization considers all short-term term investments with an original maturity of three months or less to be cash equivalents. In addition, the Organization's bond agreement requires the Organization to maintain a separate cash account for the bond sinking fund. The restricted cash balances totaled \$417,187 and \$69,360 as of June 30, 2015 and 2014, respectively.

Investments

The Organization's investing activities consist of the purchase of certificates of deposit with maturities greater than three months and marketable securities. Under ASC 958, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair market values in the Statements of Financial Position as of June 30, 2015 and 2014, respectively. The realized and unrealized net gains and losses on investments are reflected in the Statements of Activities for the year ended June 30, 2015 and 2014, respectively.

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions

Contributions are considered to be available for unrestricted use at the Organization’s discretion unless restrictions are imposed by the donors. Amounts received that are designated for future periods or restricted by donors for specific purposes are reported as temporarily restricted or permanently restricted support revenues. As donor-imposed restrictions are met or expire, temporarily and permanently restricted assets are reclassified as unrestricted. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributed Services

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 received by donation, are recorded at fair market values as contributed services revenues in the periods they are received. During the years ended June 30, 2015 and 2014, no contributed services meeting the criteria for recognition as contributed services revenue were observed.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair market values in the periods received. During the years ended June 30, 2015 and 2014, the Organization received donated materials as noted below:

	2015	2014
Fundraising supplies	\$ 1,360	\$ -
Program supplies	-	2,909
Total in-kind donations	\$ 1,360	\$2,909

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding. Management has established a valuation allowance for probably uncollectible amounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has made reasonable collection efforts are written off through charges to the bad debt allowance and accounts receivable. Balances are considered past due after aging 90 days after the due dates. Management does not charge interest on accounts receivable considered past due.

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Acquisitions of property and equipment at costs of \$5,000 or greater are capitalized, while expenditures of less than \$5,000 are expensed as incurred. Depreciation and amortization is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The straight-line method of depreciation is followed for all assets for financial reporting purposes as noted below:

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

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 any unrelated business income at normal income tax rates. There was no unrelated business income for the years ended June 30, 2015 and 2014. 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, Income Taxes* 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. Management believes all positions taken would be upheld under examination. Therefore, no provisions for the effects of uncertain tax positions have been recorded for the years ended June 30, 2015 and 2014.

Income tax returns have not been examined by the Internal Revenue Service or by the State of North Carolina Department of Revenue within the last three years (2014, 2013, and 2012) and remain open to examination. The Organization is not currently under examination nor has it been contacted by these jurisdictions.

Retirement Plan

The Organization offers a retirement plan under Section 403-B of the Internal Revenue Code to employees 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 years ended June 30, 2015 and 2014, the Organization's matching contributions for the plan were \$18,099 and \$14,830, respectively, and are included under the caption "Benefits and payroll taxes" on the statements of functional expenses.

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2015 and 2014 were \$570 and \$5,228, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements 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) utilized for various functions. Costs not related to payroll or occupancy and not directly related to specific functions are generally charged to administrative expenses.

Estimates

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

NOTE 2 – INVESTMENTS

The Organization’s investments consist of Certificates of Deposit and a Beneficial Interest Held by Another and are recorded at fair value as summarized below:

<i>June 30,</i>	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 681,000	\$ 681,000	\$ 638,669	\$ 638,669
Beneficial Interest Held by Another	33,047	33,047	32,092	32,092
	\$ 714,047	\$ 714,047	\$ 670,761	\$ 670,761

NOTE 2 – INVESTMENTS (CONTINUED)

Certificates of Deposit

The Organization held investments of bank certificates of deposit with maturities of greater than three months and less than two years during the years ended June 30, 2015 and 2014. The Organization records these investments at historical cost plus accrued interest.

Beneficial Interests in Assets Held by a Third Party

The Organization has an endowment fund held in trust by the North Carolina Community Foundation. Income from the endowment fund is available to be distributed annually for the general operating support of the Organization. While the stated intention of the agreement is for the principal to remain undistributed, the principal may be distributed at the Organization's discretion. The value of the endowment funds at June 30, 2015 and 2014, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2013	\$ -	\$ 27,330	\$ -	\$ 27,330
Investment return	4,163	-	-	4,163
Contributions	-	900	-	900
Administrative fees	(301)	-	-	(301)
Net change in endowment	3,862	900	-	4,762
Endowment net assets, June 30, 2014	3,862	28,230	-	32,092
Investment return	1,283	-	-	1,283
Administrative fees	(328)	-	-	(328)
Net change in endowment	955	-	-	955
Endowment net assets, June 30, 2015	\$ 4,817	\$ 28,230	\$ -	\$ 33,047

The Organization's Board of Directors has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (NCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. As of June 30, 2015 and 2014, no contributions to the endowment fund were considered permanently restricted.

NOTE 2 – INVESTMENTS (CONTINUED)

Beneficial Interests in Assets Held by a Third Party (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NCUPMIFA.

In accordance with NCUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or NCUPMIFA requires the Organization to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. There were no deficiencies at June 30, 2015 and 2014.

NOTE 3 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2015 and 2014:

<i>June 30,</i>	2015	2014
Bonds payable	\$ 2,685,000	\$ 3,075,000
Less: current maturities	-	(115,000)
Total long-term debt	\$ 2,685,000	\$ 2,960,000

Bonds payable

The Organization is obligated under Industrial Facilities Revenue Bonds (Bonds Payable) 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, and collateralized by a letter of credit issued by the bank.

NOTE 3 – LONG-TERM DEBT (CONTINUED)

Letter of credit

The letter of credit collateralizing the Bonds Payable is collateralized by all accounts receivable, equipment, furniture and fixtures, buildings, and real estate with costs totaling \$3,140,821 and \$3,524,359 at June 30, 2015 and 2014, respectively.

Interest of \$48,312 and \$43,486 was charged to operations on the above long-term bond payable for the years ended June 30, 2015 and 2014, respectively.

Aggregate maturities of future long-term debt at June 30, 2015 are as follows:

2016		\$	-
2017			-
2018			100,000
2019			120,000
2020			135,000
2021 and beyond			2,330,000
Total bonds payable		\$	2,685,000

The Organization is required under the Letter of Credit agreement to make monthly deposits into a sinking fund bank account in an amount equal to one twelfth of the principal due the following year. Minimum sinking fund deposit requirements for as of June 30, 2015 were as follows:

2016		\$	-
2017			8,333
2018			10,000
2019			11,250
2020			11,250
2033 to 2034			182,917
Total sinking fund payments		\$	223,750

Bond origination costs totaling \$134,744 are being amortized over the estimated bond repayment term using the straight-line method. Amortization expense for the year ended June 30, 2015 and 2014 were \$5,402 and \$5,390, respectively.

Wake Enterprises, Inc.
Notes to Financial Statements

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporary restrictions of support for the years ended June 30, 2015 and 2014 are shown as follows:

<i>Years ended June 30,</i>	2015	2014
Endowment funds restricted by donor	\$ 28,230	\$ 28,230
Grant funds restricted for capital outlay	-	7,000
Total temporarily restricted assets	\$ 28,230	\$ 35,230

NOTE 5 – SPECIAL EVENTS

The Organization reports the revenues generated from special events fundraising activities net of the associated direct costs required to host the events. The below schedule summarizes special events revenues and costs for the years ended June 30, 2015 and 2014:

<i>June 30,</i>	2015	2014
Special events revenues	\$ 33,531	\$ 35,942
Direct costs for special events	14,663	12,665
Special events revenues, net	\$ 18,868	\$ 23,277

NOTE 6 – RELATED PARTY TRANSACTIONS

Banking

Two members of the Organization’s Board of Directors for the years ended June 30, 2015 and 2014 were employed as officers at banks where the Organization maintains depository accounts. The board members did not take part in or vote on any matters pertaining to the Organization’s banking activities.

Board of Directors Composition

The Organization’s by-laws require that the Board of Directors be comprised of no less than 25% of family members of served participants. Six (40%) of the fifteen board members for the year ended June 30, 2015 six (38%) of the sixteen board members for the year ended June 30, 2014 were family members of participants.

NOTE 6 – RELATED PARTY TRANSACTIONS (CONTINUED)

Revenues

Two members of the Board of Directors were employed by a company that purchased production services from the Organization totaling \$4,002 and \$2,181 for the years ended June 30, 2015 and 2014, respectively.

Two members of the Board of Directors also served on the board of directors for an organization providing program service revenue to the Organization. Revenues from this organization totaled \$86,544 and \$86,544 for the years ended June 30, 2015 and 2014, respectively.

Related Directorships

One officer during the years ended June 30, 2015 and 2014 was employed by a company that manages member organizations (management company). The Organization is a member of one of those organizations. The Organization has contracted with the management company to provide pre-employment background screenings. The Organization paid \$5,061 and \$4,458 for these services for the years ended June 30, 2015 and 2014, respectively.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

Cash and Equivalents

The Organization places its cash and cash equivalents with a financial institution in the United States. The Federal Deposit Insurance Corporation (FDIC) provides coverage to \$250,000 for substantially all depository accounts. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. Uninsured cash balances aggregated to \$439,201 and \$20,648 at June 30, 2015 and 2014, respectively.

Program Service Revenues

For the years ended June 30, 2015 and 2014, the Organization received approximately 65% and 65%, respectively, of its revenues from Innovations and ADVP program services. These program service revenues were received from one managed care organization in Wake County, North Carolina.

NOTE 8 – FAIR VALUE MEASUREMENTS

Management of the Organization applies ASC 820, *Fair Value Measurements*, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following describes valuation methodologies used for assets measured at fair value:

Certificates of deposit: The carrying amounts of certificates of deposit approximate fair values.

Endowment fund: Where quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include residual interests in securitizations and other less liquid securities.

Wake Enterprises, Inc.
Notes to Financial Statements

NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the fair value of the assets recorded at fair value on a recurring basis, segregated among the appropriate levels within the fair value hierarchy for the years ended June 30, 2015 and 2014, respectively:

June 30, 2015			Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3	
Certificates of deposit	\$	681,000	\$	-	\$	681,000	\$	-
Endowment fund		33,047		-		33,047		-
Total investments	\$	714,047	\$	-	\$	714,047	\$	-

June 30, 2014			Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3	
Certificates of deposit	\$	638,669	\$	-	\$	638,669	\$	-
Endowment fund		32,092		-		32,092		-
Total investments	\$	670,761	\$	-	\$	670,761	\$	-

NOTE 9 – PRIOR PERIOD ADJUSTMENT

An adjustment totaling \$4,409 was posted to beginning balances of unrestricted net assets to account for changes in the ending balances of program service accounts receivable as of June 30, 2014 that were not recorded in the prior period.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 11, 2015, the date the financial statements were available to be issued.



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November 11, 2015

To the Board of Directors of Wake Enterprises, Inc.
Raleigh, North Carolina

We are pleased to present the results of our audit of the 2015 financial statements of Wake Enterprises, Inc. ("the Organization").

This report to the Board of Directors (the "Board") and Management summarizes our audit, the report issued and various analyses and observations related to the Organization's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed to express an opinion on the Organization's 2015 financial statements. We considered the Organization's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board and Management, expect. We received the full support and assistance of the Organization's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board, Management and others within the Organization and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 919-751-8297 or mjordan@cricpa.com.

Very truly yours,

Carr, Riggs & Ingram, LLC

Carr, Riggs & Ingram, LLC

Certified Public Accountants

As discussed with the Board and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Organization. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board and Management, in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Organization's financial statement for the year ended June 30, 2015;
- Communicate directly with the Board and Management regarding the results of our procedures;
- Address with the Board and Management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board and Management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the Organization as of and for the year ended June 30, 2015, and have issued our report thereon dated November 11, 2015. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	<p>We have audited the financial statements of the Organization for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated November 9, 2015.</p>
Client's responsibility	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
Planned scope and timing of the audit	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Organization and how they are disclosed.</i>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Organization's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the consolidated financial statements, including disclosures. Critical accounting policies and practices applied by the Organization in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>No new accounting policies were adopted and the application of existing policies was not changed during 2015.</p>
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>None noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Disagreements with management</p> <p><i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None noted.
<p>Other findings or issues</p> <p><i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Governmental Auditing Standards, in addition to GAAS</i></p>	None noted.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</p> <p><i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None noted.
<p>Corrected and uncorrected misstatements</p> <p><i>All significant audit adjustments arising from the audit, whether or not recorded by the Organization, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Organization about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."
<p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None noted.
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Internal control deficiencies <i>Any significant deficiencies or material weaknesses in internal control that came to the auditors' attention during the audit.</i></p>	<p>See "Internal Control Findings" section.</p>
<p>Fraud and illegal acts <i>Fraud involving senior management of the Organization or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Other information in documents containing audited financial statements <i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Organization’s accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Organization may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Program Revenues and Receivables	The Organization records revenues and receivables for program services at the their estimated net realizable value based on historical payment trends received from managed care organizations (“MCOs”).	X	Management’s determination of the net realizable value of program revenues and receivables are based on judgment and estimates. Management’s judgments and estimations are based on historical recovery rates, state-determined service billing rates, and other factors. Changes in the factors used by management in determining the net realizable value could increase or decrease the revenues recorded in future periods.	See “Management Letter” section for significant deficiency
Investments	The Organization uses management’s evaluation of the third-party valuation to assess the fair value for investments.	X	The endowment fund held by the Organization is carried at fair value, with changes in fair value recorded on the Statement of Activities and Changes in Net Assets. Valuations are obtained from the third party investment foundation who is also the custodian of the investment portfolio. The value of endowment fund’s investments is determined by the third party based on the Organization’s share of the pooled investments.	No material findings were noted

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Organization and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Organization or passed (uncorrected). Those adjustments are included on the schedule on page 29.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Organization's operating environment that has been identified as playing a significant role in the Organization's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a party in interest, as defined by GAAP or any applicable federal, state or local laws.

Summary of Audit Adjustments

During the course of our audit, we accumulated differences between amounts recorded by the Organization and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Company or passed (uncorrected).

The below schedule summarizes corrected misstatements of the financial statements. Management has recorded this entry, which is reflected in the audited financial statements.

Account Description	Debit	Credit
Gain on sale of fixed assets	\$ 56,890	
Accumulated depreciation	2,500	
Furniture and equipment		\$ 52,944
Other equipment		6,446

Corrected Journal Entry #1

During our testing, we noted a difference between confirmed program service revenues from the Organization's recorded revenues.

The below schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their affects are immaterial, both individually and in the aggregate, to the Bank's financial statements taken as a whole.

Account Description	Debit	Credit
Accounts receivable	\$ 25,034	
Program service revenues		\$ 25,034

Uncorrected Journal Entry #1

During our testing, we noted a difference between confirmed program service revenues from the Organization's recorded revenues.

Management Representation Letter

November 11, 2015

Carr, Riggs, & Ingram, LLC
911 Paverstone Drive, Suite A
Raleigh, North Carolina 27613

This representation letter is provided in connection with your audit of the financial statements of Wake Enterprises, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 11, 2015, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 14, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. Additionally, no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries

Management Representation Letter

that have been posted to the Organization's accounts. We are in agreement with those adjustments listed in the attached schedule.

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 13) We have complied with all requirements and covenants in agreements with organizations disbursing federal, state, and local funds and all grant funding received.
- 14) In regard to the assistance with preparing the financial statements performed by you, we have:
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.

Information Provided

- 15) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- 16) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 17) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 18) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

Management Representation Letter

- 19) We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 20) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 21) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted an attorney concerning litigation, claims, or assessments.
- 22) We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
- 23) Except as made known to you, the organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 25) We have recorded revenues and receivables from grantors, pass-through entities, and others at net realizable value based on our good-faith estimate of their collectability.
- 26) We have recorded financial instruments and beneficial interests held by third parties at fair value as determined by those third parties with custody over the Organization's assets.
- 27) We have received no communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period through the date of the auditors' report.
- 28) Wake Enterprises, Inc. is an exempt organization under Section 503(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature: _____
Title: _____

Signature: _____
Title: _____

Management Representation Letter

Wake Enterprises, Inc.
Schedule of Corrected and Uncorrected Journal Entries
June 30, 2015

Account Description	Debit	Credit
Gain on sale of fixed assets	\$ 56,890	
Accumulated depreciation	2,500	
Furniture and equipment		\$ 52,944
Other equipment		6,446

Corrected Journal Entry #1

During our testing, we noted a difference between confirmed program service revenues from the Organization's recorded revenues.

Account Description	Debit	Credit
Accounts receivable	\$ 25,034	
Program service revenues		\$ 25,034

Uncorrected Journal Entry #1

During our testing, we noted a difference between confirmed program service revenues from the Organization's recorded revenues.

November 11, 2015

Wake Enterprises, Inc. Board of Directors
and Management
Raleigh, North Carolina


In planning and performing our audit of the financial statements of Wake Enterprises, Inc. (the "Organization") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) 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 opinions on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We included in the accompanying table control deficiencies and other internal control recommendations for the Board of Directors and Management's consideration.

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The table that accompanies this letter summarizes our comments and suggestions regarding those matters.



This communication is intended solely for the information and use of the Board and Management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

Certified Public Accountants

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION
1	SD	Financial Close and Reporting	The Organization does not have a process for reviewing manual general journal entries by an individual independent of the preparer prior to posting.	We recommend that Management identify users with authority to prepare and review general journal entries and establish a process for reviewing the entries prior to posting in the general ledger.
2	SD	Cash and Equivalents	Monthly bank statements are received and opened by the individual preparing the monthly bank reconciliations and posting any required adjustments. The reconciliations are not reviewed by an individual independent of the reconciliation process.	We recommend that Management separate the individual receiving and opening the bank statement from the individual preparing the monthly reconciliations. The Organization should also identify an individual independent of the reconciliation process to review the monthly bank reconciliations prior to beginning monthly reporting activities.
3	SD	Program Revenues	The Organization does not have a process for reconciling monthly program service billings to cash receipts and for identifying variances, aging outstanding receivables, and other unusual items.	Perform a monthly reconciliation to ensure program revenues, receivables, and cash receipts are appropriately recorded at net realizable value, to identify any aged or unusual items, and to ensure recorded transactions are appropriately valued.

Internal Control Findings

4	SD	Support Revenues and Contributions	The Organization did not have a detailed listing of contributions received including documentation of any donor-imposed restrictions.	We recommend that Management begin tracking contributions received on a by-contribution basis in a manner that includes the documentation of any donor-imposed restrictions for the purposes of determining any temporarily or permanently restricted gifts.
5	D	Accounts Payable and Expenses	<p>During the audit, CRI noted the following during a review of processes over accounts payable and recording of expenses:</p> <ul style="list-style-type: none"> • Though the Organization has a purchase order process in place, CRI noted that use of this process was not required for all purchases of goods and services for the Organization. • Review of a sample of expenses and cash disbursements revealed supporting documentation was not on-file for two company credit card payments. 	<p>We recommend that Management:</p> <ul style="list-style-type: none"> • Ensure that Organizational costs are procured through the purchase order process to ensure vendors, costs, and goods and services purchased are appropriately approved prior to incurring cost. • Ensure that supporting documentation accompanies all Organizational expenses and costs procured through the purchase order process.
6	D	Information Technology (IT)	<p>During the audit, CRI noted the following during a review of general controls over IT assets:</p> <ul style="list-style-type: none"> • The Organization does not have an IT steering committee or an IT strategic plan for IT assets. • Two generic user accounts with system administrator access were observed that should have been disabled. • Based on network settings, passwords expire once per year. Best practices suggest a minimum password expiration of at least every 180 days with a recommended password expiration period of 90 days. 	<p>We recommend that Management:</p> <ul style="list-style-type: none"> • Establish a committee or task force of the Board of Directors to monitor IT operations and establish a strategic plan for the Organization's IT assets. • Ensure access of the two generic user accounts identified has been disabled. • Review network password settings to more closely conform to best practices.