

WAKE ENTERPRISES, INC

Raleigh, North Carolina

FINANCIAL STATEMENTS

*INDEPENDENT AUDITOR'S 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*

June 30, 2013 and 2012

WAKE ENTERPRISES, INC.

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June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Wake Enterprises, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Wake Enterprises, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor considers internal control relevant to the organization'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, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of Wake Enterprises, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wake Enterprises, Inc.'s internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Raleigh, North Carolina
September 23, 2013

Wake Enterprises, Inc.
Statements of Financial Position
 June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash - unrestricted	\$ 606,986	\$ 719,546
Cash - restricted	26,945	16,781
Cash - sinking fund	16,928	13,019
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$3,000	323,421	242,982
Sales tax refund receivable	15,120	6,887
Other	646	64
Short-term investments	622,403	618,221
Beneficial interest in assets held by another	27,330	-
Prepaid expenses	67,759	63,360
Total Current Assets	<u>1,707,538</u>	<u>1,680,860</u>
Property and Equipment:		
Equipment	129,723	129,723
Furniture and fixtures	178,894	179,894
Vehicles	145,905	107,905
Buildings and improvements	3,538,594	3,519,469
Land and improvements	912,561	912,561
	<u>4,905,677</u>	<u>4,849,552</u>
Less: accumulated depreciation	<u>(1,729,531)</u>	<u>(1,562,709)</u>
Total Property and Equipment	<u>3,176,146</u>	<u>3,286,843</u>
Other Assets:		
Bond origination fees, net	<u>111,164</u>	<u>116,554</u>
Total Assets	<u>\$ 4,994,848</u>	<u>\$ 5,084,257</u>

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

	<u>2013</u>	<u>2012</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 74,126	\$ 79,740
Accrued salaries and vacation	86,687	86,312
Accrued payroll taxes and withholdings	13,869	28,388
Current maturities of long-term debt	<u>110,000</u>	<u>110,000</u>
Total Current Liabilities	<u>284,682</u>	<u>304,440</u>
 Long-term Debt:		
Bond payable, net of current maturities	<u>3,075,000</u>	<u>3,185,000</u>
Total Liabilities	<u>3,359,682</u>	<u>3,489,440</u>
 Commitments - Note 6		
 Contingency - Note 8		
 Net Assets:		
Unrestricted net assets:		
Net investment in property and equipment	125,891	(8,157)
Undesignated	<u>1,482,330</u>	<u>1,586,193</u>
Total unrestricted net assets	<u>1,608,221</u>	<u>1,578,036</u>
Temporarily restricted net assets	<u>26,945</u>	<u>16,781</u>
Total Net Assets	<u>1,635,166</u>	<u>1,594,817</u>
 Total Liabilities and Net Assets	<u>\$ 4,994,848</u>	<u>\$ 5,084,257</u>

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

Wake Enterprises, Inc.
Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Adult Day Vocational Program	\$ 487,563	\$ -	\$ -	\$ 487,563
North Carolina Innovations Waiver for People with Mental Retardation/ Developmental Disabilities	1,321,781	-	-	1,321,781
ICFMR Day Services	806,302	-	-	806,302
Miscellaneous pay for services	6,734	-	-	6,734
United Way	37,310	-	-	37,310
Special events	68,994	-	-	68,994
City of Raleigh	8,000	-	-	8,000
Autism Services	85,488	-	-	85,488
Contributions	18,257	28,000	-	46,257
In-kind contributions	9,550	-	-	9,550
Contract sales	190,683	-	-	190,683
Interest income	11,532	-	-	11,532
Unrealized gain on stock	(71)	-	-	(71)
Grant	4,125	-	-	4,125
Rental income	60,000	-	-	60,000
Appreciation in endowment fund	737	-	-	737
Miscellaneous	1,100	-	-	1,100
Total Revenue and Support	<u>3,118,085</u>	<u>28,000</u>	<u>-</u>	<u>3,146,085</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	17,836	(17,836)	-	-
Total Support, Revenues and Reclassifications	<u>3,135,921</u>	<u>10,164</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	2,141,822	-	-	2,141,822
Production expenses	426,911	-	-	426,911
Development (fund raising) expenses	81,504	-	-	81,504
Management and general expenses	455,499	-	-	455,499
Total Expenses	<u>3,105,736</u>	<u>-</u>	<u>-</u>	<u>3,105,736</u>
Increase in Net Assets	30,185	10,164	-	40,349
Net Assets, Beginning of Year	<u>1,578,036</u>	<u>16,781</u>	<u>-</u>	<u>1,594,817</u>
Net Assets, End of Year	<u>\$ 1,608,221</u>	<u>\$ 26,945</u>	<u>\$ -</u>	<u>\$ 1,635,166</u>

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

Wake Enterprises, Inc.
Statement of Activities
Year Ended June 30, 2012

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

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

Wake Enterprises, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services	Production	Membership Development	Administration	Total
Salaries and wages	\$ 1,443,744	\$ 196,224	\$ 36,509	\$ 278,672	\$ 1,955,149
Payroll taxes and benefits	318,388	42,269	1,656	53,638	415,951
Background checks	3,135	-	8	319	3,462
Drug screening	3,413	45	-	209	3,667
Telephone	12,657	5,805	401	4,856	23,719
Utilities	36,051	25,812	333	5,255	67,451
Maintenance and repairs	59,303	37,900	562	21,156	118,921
Supplies	48,173	27,897	445	10,562	87,077
Advertising	1,511	1,195	1,865	627	5,198
Interest	25,307	17,976	210	3,839	47,332
Dues	3,883	114	-	6,675	10,672
Professional fees	3,525	-	-	10,092	13,617
Accreditation	20,169	-	-	-	20,169
Staff training	20,396	748	1,907	5,141	28,192
Postage	100	-	878	1,149	2,127
Travel	9	-	2,340	3,526	5,876
Transportation	36,294	-	-	-	36,294
Insurance	18,169	12,917	166	3,705	34,958
Printing	-	-	216	-	216
Depreciation	79,469	55,608	468	32,290	167,835
Amortization	2,880	2,040	24	434	5,378
Event expenses	-	-	32,627	-	32,627
Miscellaneous	5,246	361	889	13,352	19,848
Total Functional Expenses	\$ 2,141,822	\$ 426,911	\$ 81,504	\$ 455,499	\$ 3,105,736

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

Wake Enterprises, Inc.
Statement of Functional Expenses
Year Ended June 30, 2012

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

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

Wake Enterprises, Inc.
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 40,349	\$ (13,563)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization	5,378	5,390
Depreciation	167,835	175,497
Unrealized (gain) loss on investments	71	(1,000)
Gain on disposal of fixed assets	-	(3,150)
Decrease (increase) in accounts receivable - trade	(80,439)	36,863
Decrease (increase) in sales tax refund receivable	(8,233)	2,269
Decrease (increase) in accounts receivable - other	(582)	367
Increase in beneficial interest in assets held by another	(27,330)	-
Increase in prepaid expenses	(4,399)	(1,534)
Increase (decrease) in accounts payable and accrued expenses	(5,614)	45,647
Increase (decrease) in accrued salaries and vacation	375	(63,050)
Increase (decrease) in accrued payroll taxes and withholdings	(14,519)	19,901
Net cash provided by operating activities	<u>72,892</u>	<u>203,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment redemptions	-	254,874
Purchase of investments	(4,254)	-
Proceeds from sale of property and equipment	-	3,150
Purchases of property and equipment	(57,125)	(25,150)
Net cash provided (used) by investing activities	<u>(61,379)</u>	<u>232,874</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long-term debt	(110,000)	(105,000)
Net cash used by financing activities	<u>(110,000)</u>	<u>(105,000)</u>
Net increase (decrease) in cash	(98,487)	331,511
Cash at beginning of year	749,346	417,835
Cash at end of year	<u>\$ 650,859</u>	<u>\$ 749,346</u>
SUPPLEMENTARY NONCASH TRANSACTIONS:		
Cash paid during the year for interest	<u>\$ 47,332</u>	<u>\$ 55,960</u>

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

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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

Nature of Activities

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

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) topic No. 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report financial information regarding its financial position, and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As there were no permanently restricted net assets at June 30, 2013 and 2012, this class of net assets is not presented.

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, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. The realized and unrealized net gains and losses on investments are reflected in the Statements of Activities.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2013 and 2012

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

Contributed Services

During the years ended June 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its activities, but these services do not meet the criteria for recognition as contributed services.

Contributions

All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset 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 years ended June 30, 2013 and 2012, the Organization received donated materials meeting the requirements for recognition in the financial statements as follows:

	2013	2012
Program supplies	\$ 9,100	\$ 13,629
Computer	450	1,100
Repairs	-	220
Office supplies	-	6,000
Total	\$ 9,550	\$ 20,949

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All receivables at June 30, 2013 and 2012 were uncollateralized. Management does not charge interest on accounts receivable and receivables not collected within 90 days of due date are considered to be past due.

Property and Equipment

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

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 years ended June 30, 2013 and 2012, was \$167,835 and \$175,497, respectively.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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

Income Taxes

The Organization is exempt from both federal and state income taxes for all program related income under section 501(c)(3) of the Internal Revenue Code. The Organization is taxed on all unrelated business income at normal income tax rates. There was no unrelated business income for the years ended June 30, 2013 and 2012.

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

The Organization follows guidance in ASC 740-10 as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current liabilities within the Organization's financial statements. Based on an evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2013 and 2012.

Income tax returns have not been examined by the Internal Revenue Service or by the state of North Carolina within the last three years (2012, 2011 and 2010) and remain open to examination. No waivers have been signed extending the Statute of Limitations on years otherwise barred. However, the Organization is not currently under audit nor has it been contacted by either of these jurisdictions.

Retirement Plan

The Organization offers a retirement plan (403-B) to essentially all of its employees upon meeting certain minimum age and employment qualifications. The Organization provides matching contributions based on a vesting schedule for those employees with greater than one year of service. For the years ended June 30, 2013 and 2012, the Organization's matching contributions for this plan were \$14,830 and \$17,147, respectively.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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

Use of Estimates

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

Fair Value of Financial Instruments

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2013 and 2012 were \$5,198 and \$8,428, respectively.

Functional Expenses:

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

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

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2013 and 2012

NOTE 2 - INVESTMENTS

Investments at June 30, 2013 and 2012 consisted of the following items:

Bank certificates of deposit with maturities greater than three months and less than one year	2013	2012
	\$ 622,403	\$ 610,000
Marketable equity securities	-	8,221
Total	<u>\$ 622,403</u>	<u>\$ 618,221</u>

Investments in bank certificates of deposit are recorded at historical cost plus accrued interest. These amounts presented above represent cost plus accrued interest and approximate fair value.

NOTE 3 - SUMMARY OF FAIR VALUE EXPOSURE

The FASB *Fair Market Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfers of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Financial Investments Held by Wake Enterprises, Inc.

Level 1: Quoted prices in active markets of identical securities.

Corporate common and preferred stocks - Valued at the closing market price on the stock exchange where they are traded (primarily the New York Stock Exchange).

Money market and saving accounts - Composed of funds invested in savings accounts at various financial institutions and a money market deposit account. Funds invested in savings accounts are valued based on the value of deposited funds and net investment earnings less withdrawals and fees.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2013 and 2012

NOTE 3 - SUMMARY OF FAIR VALUE EXPOSURE - continued

The following table provides fair value measurement information for financial assets and measured at fair value on a recurring basis as of June 30, 2013 and 2012:

<u>Level 1</u>	<u>2013</u>	<u>2012</u>
Marketable equity securities	\$ -	\$ 8,221
Bank certificates of deposits	622,403	610,000
Total	<u>\$ 622,403</u>	<u>\$ 618,221</u>

Beneficial Interest in Assets Held by Endowment Fund:

<u>Level 1</u>	<u>2013</u>	<u>2012</u>
Corporate stocks, money market accounts and mutual funds	\$ -	\$ -
	27,330	-
Total	<u>\$ 27,330</u>	<u>\$ -</u>

At June 30, 2013 and 2012, there were no level 2 or level 3 investments present.

NOTE 4 - LONG-TERM DEBT

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 the bank. The letter of credit is collateralized by all accounts receivable, equipment, furniture, fixtures, and real estate with a total cost of \$5,368,289 and \$5,099,485 for tax years 2013 and 2012, respectively. The bond and letter of credit terms include comprehensive loan and letter of credit agreements covering the use of bond proceeds, limits on additional borrowings, maintenance of certain financial ratios, and other requirements.

	<u>2013</u>	<u>2012</u>
Bond Payable	\$ 3,185,000	\$ 3,295,000
Less: current maturities	(110,000)	(110,000)
Total	<u>\$ 3,075,000</u>	<u>\$ 3,185,000</u>

Interest of \$47,332 and \$55,960 was charged to operations on the above long-term bond payable for the years ended June 30, 2013 and 2012.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2013 and 2012

NOTE 4 - LONG-TERM DEBT - continued

Minimum maturities of long-term debt at June 30, 2013 are as follows:

Year Ended June 30		
2014	\$	110,000
2015		115,000
2016		120,000
2017		120,000
2018		125,000
2019 to 2023		685,000
2024 to 2028		795,000
2029 to 2034		1,115,000
Total	\$	<u>3,185,000</u>

Wake Enterprises, Inc. 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 the year ended June 30, 2013 are as follows:

Year Ended June 30		
2013	\$	45,833
2014		112,083
2015		117,083
2016		120,000
2017		122,083
2018 to 2022		673,334
2023 to 2027		783,332
2028 to 2032		897,500
2033 to 2034		313,752
Total	\$	<u>3,185,000</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, 2013 and 2012 was \$5,378 and \$5,390, respectively.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2013 and 2012

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Program specific support temporarily restrictions for the years ended June 30, 2013 and 2012 are shown as follows:

	2013	2012
Balance at beginning of year	\$ 16,781	\$ -
Donor imposed restrictions for year	28,000	17,250
Less: restrictions satisfied by payments	<u>(17,836)</u>	<u>(469)</u>
Restrictions at end of year	<u>\$ 26,945</u>	<u>\$ 16,781</u>

NOTE 6 - 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 \$6,700 and expires on June 30, 2014. The contract does not automatically renew; however, the Organization does anticipate negotiating a similar contract at its expiration.

Leased Property

The Organization leases a commercial building to an unrelated third party under a three year noncancelable operating lease expiring June 30, 2014. This lease contains a purchase option which expires if not exercised by the termination of the lease. Rental income from this operating lease as of June 30, 2013 and 2012 amounted to \$60,000 and \$25,760, respectively.

Future minimum rental income to be received under this noncancelable lease as of June 30, 2013 are:

Year Ended June 30	
2014	\$ 81,600
Total	<u>\$ 81,600</u>

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 7 - RELATED PARTY TRANSACTIONS

Banking

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

People Served

The Organization's by-laws require that family members of its participants served make up no less than 25% of the Board of Directors. For the year ended June 30, 2013, eight of the total seventeen board members were family members of the participants served, while nine of the total nineteen board members were family members of the participants served during the year ended June 30, 2012.

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 years ended June 30, 2013 and 2012 were \$3,306 and \$1,930, respectively.

Two members of Wake Enterprises, Inc.'s Board of Directors also serve on the board of Autism Services. During the years ended June 30, 2013 and 2012, revenue from Autism Services of \$85,488 and 83,844 was recognized for services rendered. At June 30, 2013, there was \$137 in accounts receivable due from Autism Services.

Related Board of Directors

Two officers of Wake Enterprises, Inc.'s Board of Directors are employed by a company that manages member organizations. One of those organizations is the North Carolina Association of Rehabilitation Facilities (NCARF). Wake Enterprises, Inc. has been a member of NCARF for over ten years. The company began management of NCARF approximately two years ago. The two officers on the Board of Directors had no influence in the decision of Wake Enterprises, Inc. becoming a member of NCARF. The Organization has contracted with this management company to provide pre-employment background screenings. The total paid for these services during the years ended June 30, 2013 and 2012, were \$4,458 and \$3,116, respectively.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 8 - CONTINGENCY

Balances in Excess of Federal Insured Limits

The Organization places its cash equivalents with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000 for substantially all depository accounts through June 30, 2013. During the year, the Organization from time to time may have amounts in deposits in excess of insured limits. Uninsured cash balances aggregated to \$468,497 and \$259,929 at June 30, 2013 and 2012, respectively.

NOTE 9 - ECONOMIC DEPENDENCY

The Organization receives approximately 68% of its total support from two funding sources.

NOTE 10 - ENDOWMENT FUND

Agency Endowment Fund

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

At the time the agreement was signed, Wake Enterprises, Inc. transferred 41.855 shares of International Business Machine common stock with a fair market value of \$8,150 and cash of \$16,853 as an initial contribution to the fund. The Endowment Fund received contributions of \$1,305 from outside donors during the year ended June 30, 2013. During the year, the endowment fund earned \$486 in interest income and had an appreciation of \$737. Administrative fees amounted to \$201 for the year ended June 30, 2013. At June 30, 2013, the Endowment Fund had a fair market value of \$27,330.

The Fund is professionally managed by the North Carolina Community Foundation, Inc. and is invested in various money market funds, marketable securities and debt securities.

WAKE ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 11 - Grants

Wake Enterprises, Inc. was awarded a grant totaling \$84,062 under the North Carolina Department of Transportation's Elderly Individual and Individuals with Disabilities Program. The grant is to be used for operations and capital projects in the amount of \$40,562 and \$43,500, respectively. The purpose of this grant was to provide transportation services for the Organization's participants to and from community work sites and to offer connecting services from public bus stops to the Organization's facility for those participants that enjoy the independence of using public transportation. The provisions of the grant require that the Organization be reimbursed for eligible costs incurred within the period covered. The period of performance for all expenditures extends from July 1, 2012 to June 30, 2014. As of June 30, 2013, the Organization was reimbursed a total of \$38,000 for eligible operating and capital expenditures.

Wake Enterprises, Inc. was awarded a second grant totaling \$101,236 under the North Carolina Department of Transportation's New Freedom Initiative Program. The grant is to be used for operations and capital projects in the amount of \$58,236 and \$43,000, respectively. The purpose of this grant was to enable the Organization to purchase and operate a lift-equipped van for their facility in Fuquay-Varina that will enable rural disabled clients there to be integrated into the workforce and to participant in volunteer and recreational activities in the community. The provisions of the grant require that the Organization be reimbursed for eligible costs incurred within the period covered. The period of performance for all expenditures extends from July 1, 2012 to June 30, 2014. As of June 30, 2013, the Organization had not incurred any eligible expenditures.

Wake Enterprises, Inc. received an Arts Grant from the City of Raleigh in the amount of \$4,125. The grant was to be used for the Organization's WE Create Program, which enables the participants of Wake Enterprises, Inc. to foster creativity, artistic expression and self confidence in adults with disabilities. The grant began on September 13, 2012 and terminated on June 30, 2013. Total revenue earned under the grant for the year ended June 30, 2013 was \$4,125.

NOTE 12 - SUBSEQUENT EVENTS

Management Evaluation Date

Management has evaluated subsequent events through September 23, 2013, the date on which the financial statements were available to be issued.

INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of Wake Enterprises, Inc. (a nonprofit organization), which comprise the statements of Financial Position as of June 30, 2013 and 2012 as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Wake Enterprises, Inc.'s basic financial statements, and have issued our report thereon dated September 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wake Enterprises, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wake Enterprises, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cam, Riggs & Ingram, L.L.C.

Raleigh, North Carolina
September 23, 2013