

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND  
OTHER FINANCIAL INFORMATION**

**COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC.  
and SUBSIDIARY**

**CHARLOTTE, NORTH CAROLINA**

**June 30, 2008**

## CONTENTS

	<u>Page</u>
<b>AUDITED CONSOLIDATED FINANCIAL STATEMENTS</b>	
Independent Auditors' Report .....	3-4
Consolidated Statement of Financial Position .....	5
Consolidated Statement of Activities .....	6-7
Consolidated Statement of Cash Flows .....	8-9
Notes to Consolidated Financial Statements .....	10-19
<b>OTHER FINANCIAL INFORMATION</b>	
Independent Auditors' Report on Other Financial Information .....	21
Computation of Indirect Cost Allocation Rate .....	22

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Link, Programs of Travelers  
Aid Society of Central Carolinas, Inc.  
Charlotte, North Carolina

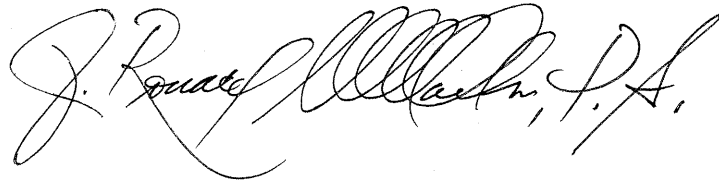
We have audited the accompanying consolidated statement of financial position of Community Link, Programs of Travelers Aid Society of Central Carolinas, Inc. and Subsidiary (the "Organization") as of June 30, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Organization's audited financial statements for the years ended June 30, 2007 and 2006, and in our reports dated September 7, 2007, and August 25, 2006, respectively, we expressed an unqualified opinion of those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Link, Programs of Travelers Aid Society of Central Carolinas, Inc. and Subsidiary as of June 30, 2008, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008, on our consideration of Community Link, Programs of Travelers Aid Society of Central Carolinas, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

October 21, 2008

A handwritten signature in black ink, reading "J. Ronald McClain, P.A.". The signature is written in a cursive style with a large, stylized initial "J" and "M".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC. and SUBSIDIARY

June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2008	Comparative Totals	
					2007	2006
<b>ASSETS</b>						
Cash and equivalents	\$ 33,764	\$ -0-	\$ -0-	\$ 33,764	\$ 44,502	\$ 114,412
Amounts receivable:						
Unconditional promises receivable		677,258		677,258	420,998	470,254
Government contracts	136,369			136,369	220,801	185,199
Other receivables	40,567			40,567	49,890	18,870
Sales tax refundable	4,116			4,116	4,347	5,994
	<u>181,052</u>	<u>677,258</u>	<u>-0-</u>	<u>858,310</u>	<u>696,036</u>	<u>680,317</u>
Prepaid expenses	15,995			15,995	23,346	8,903
Fixed assets:						
Furniture, fixtures and equipment	215,938			215,938	192,603	169,744
(Less) accumulated depreciation	<u>(110,311)</u>	<u>-0-</u>	<u>-0-</u>	<u>(110,311)</u>	<u>(92,431)</u>	<u>(75,919)</u>
	<u>105,627</u>	<u>-0-</u>	<u>-0-</u>	<u>105,627</u>	<u>100,172</u>	<u>93,825</u>
	<u>\$ 336,438</u>	<u>\$ 677,258</u>	<u>\$ -0-</u>	<u>\$ 1,013,696</u>	<u>\$ 864,056</u>	<u>\$ 897,457</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable and other	\$ 65,836	\$ -0-	\$ -0-	\$ 65,836	\$ 35,462	\$ 34,588
Accrued compensated absences	42,527			42,527	34,830	41,773
Line of credit	<u>123,602</u>	<u>-0-</u>	<u>-0-</u>	<u>123,602</u>	<u>-0-</u>	<u>-0-</u>
	<u>231,965</u>	<u>-0-</u>	<u>-0-</u>	<u>231,965</u>	<u>70,292</u>	<u>76,361</u>
Net assets	<u>104,473</u>	<u>677,258</u>	<u>-0-</u>	<u>781,731</u>	<u>793,764</u>	<u>821,096</u>
	<u>\$ 336,438</u>	<u>\$ 677,258</u>	<u>\$ -0-</u>	<u>\$ 1,013,696</u>	<u>\$ 864,056</u>	<u>\$ 897,457</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC. and SUBSIDIARY

Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2008</u>	<u>Comparative Totals</u>	
					<u>2007</u>	<u>2006</u>
<b>SUPPORT AND OTHER</b>						
Support:						
United Way	\$ 14,500	\$ 535,306	\$ -0-	\$ 549,806	\$ 456,150	\$ 406,096
Contributions/grants/contracts	271,400	405,198		676,598	455,912	288,615
Government contracts	1,560,947			1,560,947	1,757,159	1,558,251
In-kind (rent credit)	81,704			81,704	81,704	81,329
	<u>1,928,551</u>	<u>940,504</u>	<u>-0-</u>	<u>2,869,055</u>	<u>2,750,925</u>	<u>2,334,291</u>
Other:						
Interest	122			122	378	848
Miscellaneous	-0-			-0-	62	1,016
Service fees	67,494			67,494	118,155	78,102
	<u>67,616</u>	<u>-0-</u>	<u>-0-</u>	<u>67,616</u>	<u>118,595</u>	<u>79,966</u>
Net assets released from restrictions:						
Satisfaction of program/purpose restrictions	186,737	(186,737)		-0-	-0-	-0-
Satisfaction of time restrictions	599,244	(599,244)		-0-	-0-	-0-
	<u>785,981</u>	<u>(785,981)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL SUPPORT AND OTHER</b>	<b>2,782,148</b>	<b>154,523</b>	<b>-0-</b>	<b>2,936,671</b>	<b>2,869,520</b>	<b>2,414,257</b>

(Continued on page 7)

CONSOLIDATED STATEMENT OF ACTIVITIES - CONTINUED

COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC. and SUBSIDIARY

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2008	Comparative Totals	
					2007	2006
Amount brought forward	\$ 2,782,148	\$ 154,523	\$ -0-	\$ 2,936,671	\$ 2,869,520	\$ 2,414,257
<b>EXPENSES</b>						
Program services:						
Casework	1,446,938			1,446,938	1,519,552	1,413,947
Supportive Housing	418,255			418,255	412,492	335,435
Homeownership	411,109			411,109	377,847	272,912
Buyers Agent	34,265			34,265	40,726	40,220
Family Financial Literacy Coalition	103,371			103,371	58,514	-0-
	<u>2,413,938</u>	<u>-0-</u>	<u>-0-</u>	<u>2,413,938</u>	<u>2,409,131</u>	<u>2,062,514</u>
Supporting services:						
Management and general	336,631			336,631	345,617	348,630
Fundraising	197,751			197,751	141,972	153,281
	<u>534,382</u>	<u>-0-</u>	<u>-0-</u>	<u>534,382</u>	<u>487,589</u>	<u>501,911</u>
<b>TOTAL EXPENSES</b>	<b>2,948,320</b>	<b>-0-</b>	<b>-0-</b>	<b>2,948,320</b>	<b>2,896,720</b>	<b>2,564,425</b>
(Loss) on fixed asset disposals	<u>(384)</u>			<u>(384)</u>	<u>(132)</u>	<u>(186)</u>
<b>CHANGE IN NET ASSETS</b>	<b>(166,556)</b>	<b>154,523</b>	<b>-0-</b>	<b>(12,033)</b>	<b>(27,332)</b>	<b>(150,354)</b>
Net assets at beginning of the year	<u>271,029</u>	<u>522,735</u>	<u>-0-</u>	<u>793,764</u>	<u>821,096</u>	<u>971,450</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>104,473</u></b>	<b>\$ <u>677,258</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>781,731</u></b>	<b>\$ <u>793,764</u></b>	<b>\$ <u>821,096</u></b>

See notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC. and SUBSIDIARY

Year Ended June 30, 2008

	Totals	Comparative Totals	
	2008	2007	2006
<b>OPERATING ACTIVITIES</b>			
Change in net assets	\$ (12,033)	\$ (27,332)	\$ (150,354)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:			
Depreciation expense	19,046	17,319	27,331
Loss on asset disposals	384	132	186
(Increase) decrease in unconditional promises receivable	(256,260)	43,487	139,997
Decrease (increase) in government contracts receivable	84,432	(35,602)	(108,279)
Decrease (increase) in other receivables	9,323	(25,251)	(1,580)
Decrease (increase) in sales tax refundable	231	1,647	(4,814)
Decrease (increase) in prepaid expenses	7,351	(14,443)	27,507
Increase in accounts payable and other	30,374	874	22,089
Increase (decrease) in accrued compensated absences	7,697	(6,943)	4,435
(Decrease) in sublease deposit	<u>-0-</u>	<u>-0-</u>	<u>(1,450)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(109,455)	(46,112)	(44,932)
<b>INVESTING ACTIVITIES</b>			
(Purchases) of equipment	<u>(24,885)</u>	<u>(23,798)</u>	<u>(77,075)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(24,885)</u>	<u>(23,798)</u>	<u>(77,075)</u>
Amount carried forward	(134,340)	(69,910)	(122,007)

(Continued on Page 9)

CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC. and SUBSIDIARY

Year Ended June 30, 2008

	Totals 2008	Comparative Totals	
		2007	2006
Amount brought forward	\$ (134,340)	\$ (69,910)	\$ (122,007)
FINANCING ACTIVITIES			
Net increase in line of credit	<u>123,602</u>	<u>-0-</u>	<u>-0-</u>
NET CASH (PROVIDED) BY FINANCING ACTIVITIES	<u>123,602</u>	<u>-0-</u>	<u>-0-</u>
NET (DECREASE) IN CASH	(10,738)	(69,910)	(122,007)
Cash and equivalents at beginning of year	<u>44,502</u>	<u>114,412</u>	<u>236,419</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 33,764</u>	<u>\$ 44,502</u>	<u>\$ 114,412</u>
Cash Summary:			
Unrestricted	\$ 33,764	\$ 200	\$ 114,412
Temporarily restricted	<u>-0-</u>	<u>44,302</u>	<u>-0-</u>
	<u>\$ 33,764</u>	<u>\$ 44,502</u>	<u>\$ 114,412</u>
Supplementary Information:			
Interest paid	<u>\$ 2,648</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY LINK, PROGRAMS OF TRAVELERS  
AID SOCIETY OF CENTRAL CAROLINAS, INC. and SUBSIDIARY

June 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization Purpose: Community Link, Programs of Travelers Aid Society of Central Carolinas, Inc. and its wholly-owned subsidiary, Community Link Home Ownership, LLC (the "Organization") operate as private not-for-profit enterprises. (See Note B). The Organization operates the following programs:

- **Casework:** Services are provided to working poor individuals and families by experienced professional social workers. In addition to providing psycho-social assessments and individual counseling, the social workers link customers to job training, educational programs, substance abuse treatment and other resources needed to promote stability and independent living. As a part of casework services, the Organization also administers Travelers Aid assistance.
- **Supportive Housing Services:** Coordinators conduct housing needs assessment for Organization customers, assist them with placement into rental units, provide in-home follow-up services, and educate them on their rights and responsibilities as tenants. Through the development of relationships with property providers, the housing coordinators are able to find safe, decent, and affordable housing for customers who might have been turned away because of past histories or credit risk.
- **Homeownership Education and Counseling:** The Organization is a HUD-approved counseling agency with a staff of Certified Housing and Credit Counselors. Comprehensive homeownership education classes and counseling are provided to assist customers with developing individualized housing action plans and obtaining knowledge about mortgage and down payment alternatives.
- **Buyers Agent:** The Organization's on-site Buyers Agent is available to assist customers through the home selection and purchasing process with the goal of helping them find affordable housing and mortgage products.
- **Family Financial Literacy Coalition ("FFLC"):** Promotes the expansion of free tax preparation sites for the working poor population, the elderly, and the disabled. Increases the financial assets and financial stability of the working poor by providing training in money management, insurance, savings plans, and predatory lending.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE A - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Principles of Consolidation: The consolidated financial statements include the accounts of Community Link, Programs of Travelers Aid Society of Central Carolinas, Inc. and its wholly-owned subsidiary Community Link Home Ownership, LLC. All significant inter-organizational transactions have been eliminated. Effective July 24, 2006, the Ujamma, Inc. corporate charter was dissolved and that organization ceased to operate as a separate legal entity.

Financial Statement Presentation: The financial statements of the Organization are prepared on the accrual basis. The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not for Profit Organizations." Under SFAS No. 117, the Organization is required to report 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.

- (a) Unrestricted Net Assets are from unrestricted contributions and income and are available for use as designated by the Board of Directors, including current operating expenses.
- (b) Temporarily Restricted Net Assets are from contributions whose use is limited by donor-imposed stipulations which are satisfied by actions of the organization or passage of time.
- (c) Permanently Restricted Net Assets are from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be satisfied or removed by actions of the Organization.

Affiliations: The Organization receives a substantial part of its financial support for current operations from United Way of Central Carolinas, Inc. ("United Way") based upon a budget prepared and submitted in each preceding year.

Recognition of Support, Revenues, and Capital Additions: In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions recognized and utilized in the same accounting period are classified as unrestricted. Temporarily restricted promises receivable are not available for utilization until received.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE A - SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Promises Receivable: Unconditional promises receivable are recognized as support in the period received and as assets, decreases of liabilities, or as expenses depending on the form of the benefits received. Conditional promises receivable are recognized when the conditions on which they depend are substantially met. Promises receivable deemed to be uncollectible are reserved and/or written off, as appropriate.

Government Grants and Contracts: Grants are recognized as a receivable and support when promised, while contracts for purchased services and cost reimbursement are recognized as a receivable and support when the services have been performed or reimbursable costs have been incurred.

Fixed Assets: Fixed assets are stated at cost, if purchased, or appraised at estimated fair value at the time of receipt, if received as a donation. Major repairs and/or improvements to existing assets, which are expected to extend the useful life of such assets, are capitalized at the cost of such repairs and/or improvements to the Organization. Repair costs not expected to extend the asset's useful life are expensed in the year such costs are incurred. When assets are sold or otherwise disposed, the cost of such assets and any accumulated depreciation are removed from the accounts and gain or loss is recognized in the statement of activities. Gains on exchanges of similar assets are not recognized; however, losses are recognized when trade-in allowances are less than the current value of the asset traded. Depreciation is computed by the straight-line method over the estimated economic lives for each respective asset which ranges from 3 to 10 years.

Donated Materials and Services: Donated materials and equipment are reflected as contributions in the financial statements at their estimated value at date of receipt. Donated services, when significant, and measurable as to value, are reflected in the statement of activities as contributions when provided. Volunteers, including officers and directors of the Organization, donate their time in program services and in fund raising. However, no amount has been reflected in the financial statements for these services as they do not meet the criteria for recognition under SFAS 116.

Functionalization of Expenses: Expenses (both direct and indirect) not associated with a specific functional classification are allocated among the various classifications using a formula based on staff utilization in each classification (program, management and general, and fund raising).

Use of Estimates in Financial Statements: 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Equivalents: Cash and equivalents are funds on hand, deposits in banks, and in highly liquid instruments having immediate availability for purposes of the statement of cash flows, which is prepared using the indirect method.

Fair Value of Financial Instruments: The Organization's financial instruments consist of cash, accounts receivable and accounts payable. The carrying value of these financial instruments approximate their respective fair values at each period end. Contributions receivable arising from unconditional promises that are expected to be collected within one year of the financial statement date are measured at fair value. The fair value of contributions arising from unconditional promises that are expected to be collected one year or more after the financial statement date, is determined based on the present value (the time value of money represented by a risk-free rate of interest) of the estimated future cash flows, using a risk-free rate of return. (See Notes D and M).

NOTE B - INCOME TAXES

Community Link, Programs of Travelers Aid Society of the Carolinas, Inc. is a North Carolina not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Community Link Home Ownership, LLC is a single-member Limited Liability Company which does not have separate tax reporting status. Therefore, no provision for income taxes is provided in the accompanying financial statements.

NOTE C - GOVERNMENT CONTRACTS RECEIVABLE

Family Jump Start	\$ 16,013
Assessment and Supportive Housing	16,548
NC Department of Transportation	1,371
Family Reunification Project	49,808
Family Preservation	8,928
Concord Housing Department	9,607
Piedmont Regional Care	16,952
Work First	<u>17,142</u>
	136,369
 (Less) reserve for uncollectible amounts	 <u>(-0-)</u>
	 <u>\$ 136,369</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE D - UNCONDITIONAL PROMISES RECEIVABLE

**Receivable in one year or less:**

United Way allocation (2007/2008)	\$ 5,159
United Way allocation (2008/2009)	418,495
United Way Focus Grant – Union County (2008)	20,375
United Way Focus Grant – FFLC (2008)	38,031
Wachovia	<u>25,000</u>
	507,060

**Receivable in one to three years:**

The Merancas Foundation Inc.	175,000
(Less) present value discount @ 1.97% on long-term contributions	<u>(4,802)</u>
	<u>170,198</u>
	<u>\$ 677,258</u>

Changes in the present value discount on long-term contributions receivable for the year ended June 30, 2008, are as follows:

	Present-Value Discount	Contributions Recognized
Balance at July 1, 2007	\$ -0-	\$ -0-
Additions	4,802	-0-
(Amortization)	<u>(-0-)</u>	<u>(-0-)</u>
Balance at June 30, 2008	<u>\$ 4,802</u>	<u>\$ -0-</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

	Year Ended June 30, 2008			End of Year
	Beginning of Year	Additions	(Utilized)	
<b>Purpose/program restricted:</b>				
Freddie Mac (marketing for homeownership program)	\$ 81,737	\$ -0-	\$ (81,737)	\$ -0-
Wells Fargo (homeownership education and counseling)	20,000		(20,000)	-0-
Wachovia (homeownership education and counseling)	-0-	110,000	(85,000)	25,000
	<u>101,737</u>	<u>110,000</u>	<u>(186,737)</u>	<u>25,000</u>
<b>Time and purpose restricted:</b>				
United Way allocation 2006/2007	848		(848)	-0-
United Way allocation 2007/2008	391,650		(386,491)	5,159
United Way allocation 2008/2009	-0-	418,495		418,495
2007 United Way Focus – Cabarrus	6,600		(6,600)	-0-
2007 United Way Focus – Union	4,400		(4,400)	-0-
2008 United Way Focus - Union	-0-	40,750	(20,375)	20,375
2007 United Way Focus – FFLC	17,500		(17,500)	-0-
2008 United Way Focus – FFLC	-0-	76,061	(38,030)	38,031
The Merancas Foundation	-0-	300,000	(125,000)	175,000
	<u>420,998</u>	<u>835,306</u>	<u>(599,244)</u>	<u>657,060</u>
	522,735	945,306	(785,981)	682,060
(Less) present value discount @ 1.97% on long-term contributions	<u>-0-</u>	<u>(4,802)</u>		<u>(4,802)</u>
	<u>\$ 522,735</u>	<u>\$ 940,504</u>	<u>\$ (785,981)</u>	<u>\$ 677,258</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE F - CONTRIBUTED SERVICES AND MATERIALS/EQUIPMENT

The following services were contributed to the Organization during the year ended June 30, 2008 (See Note J):

<u>Contributions</u>	<u>Use</u>	<u>Revenue Recognized</u>	<u>Expense Recognized</u>
Occupancy: Rent credits	Program/Support	<u>\$ 81,704</u>	<u>\$ 81,704</u>

NOTE G - RISKS AND UNCERTAINTIES

The Organization places its cash with a financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. On occasion, the Organization maintains cash balances in excess of the \$100,000 insured limit with this financial institution.

The Organization receives a substantial part of its operating funds from government cost-reimbursement contracts. The Organization also receives a substantial part of its operating funds from United Way of the Central Carolinas, Inc. Curtailment or cancellation of funds from these sources would have a material effect on the future operations of the Organization.

The Organization participates in a number of federal and state grant programs, the expenditures for which are subject to audit from the respective funding agencies and/or the General Accounting Office. Upon examination, expenditures could be disallowed and refunds required. Management has not been notified that any such audits are forthcoming, and is not aware of any expenditures for which such disallowances and refunds would be required by funding agencies. (See Note L).

The Organization receives significant rent credits on an annual basis, however, there is no guarantee such credits will continue in the future. (See Notes F and J).

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H - LICENSE TO SOLICIT

The Organization has obtained from the North Carolina Department of Human Resources a license to solicit charitable contributions. The license, which must be renewed annually, expires November 15, 2008. The Organization has obtained from the South Carolina Department of Human Resources a license to solicit charitable contributions. The license, which must be renewed annually, expires November 15, 2008.

NOTE I - BANK LINE OF CREDIT

The Organization has available an unsecured line of credit with a commercial bank providing for borrowings up to \$150,000, which expires and must be renewed on or before January 5, 2009. Interest is payable monthly at the bank's prime rate plus .25%. The amount outstanding at June 30, 2008, was \$123,602.

NOTE J - LEASE AGREEMENTS

The Organization leases office space under a ten-year agreement from the Children and Family Service Center, Inc., (the "Center") a not-for-profit organization created to construct and maintain an office building to house ten Charlotte not-for-profit agencies serving children and families. As part of the lease agreement, the Center also provides work stations, work station furniture, office furniture, storage units, telephone system and telephone instruments and computers. The agreement requires payments of \$11,090 per month (or \$133,080 annually) less rent credits of approximately \$6,809 per month (\$81,704 annually).

The lease expires March 31, 2013, and can be renewed for up to four additional ten-year periods, but in no event, no term may extend beyond December 31, 2052, the termination date of the ground lease with the City of Charlotte on which the building is constructed. Future minimum annual payments under the lease agreement are as follows;

<u>Year Ending June 30,</u>	<u>Gross</u>	<u>Operating Cost Credit *</u>	<u>Net</u>
2009	\$ 133,080	\$ (81,704)	\$ 51,376
2010	133,080		133,080
2011	133,080		133,080
2012	133,080		133,080
2013	<u>99,810</u>		<u>99,810</u>
	<u>\$ 632,130</u>	<u>\$ (81,704)</u>	<u>\$ 550,426</u>

\* Operating cost credits are approved by the lessor on an annual basis. (See Note F).

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE J - LEASE AGREEMENTS - CONTINUED

The Organization also has lease commitments for its offices in Concord, NC and Rock Hill, SC which require minimum payments of \$1,800 and \$525 per month (or \$21,600 and \$6,300 per year) respectively. The Concord, NC lease expires June 30, 2009 and the Rock Hill, SC lease expires December 31, 2008. Future minimum annual lease payments for the noncancellable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Concord</u>	<u>Rock Hill</u>	<u>Total</u>
2009	<u>\$ 21,600</u>	<u>\$ 3,150</u>	<u>\$ 24,750</u>

NOTE K - RETIREMENT PLAN

The Organization has a 401(k) retirement plan for its employees. The Organization's contribution, which is 5% of a qualifying employee's annual salary, was \$63,951 for the year ended June 30, 2008.

NOTE L - COMPLIANCE SUPPLEMENT

The Organization is a recipient of certain government grants which are subject to audit in accordance with *Government Auditing Standards* issued by the Comptroller of the United States. A separate compliance supplement is issued for these grant awards.

NOTE M - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 Fair Value Measurements to be effective for fiscal years beginning after November 15, 2008. The Statement defines fair value, established a framework for measuring fair value as generally accepted accounting principles ("GAAP"), and expands financial statement disclosures about fair value measurements. Prior to the issuance of SFAS No. 157, there existed different definitions of fair value and limited guidance for applying those definitions in GAAP that created inconsistencies that added to the complexity of applying GAAP to financial statements. The adoption of SFAS No. 157 is not expected to have a significant effect on future financial statements of the Organization.

NOTE N - COLLABORATIVE SERVICES

The Organization's Board voted in July 2008 to accept a collaboration agreement with the Children and Family Services Center, Inc. (the "Center") and several other agencies in the building to share financial and human resource functions. The service center will begin operations in 2009 and is not expected to have a significant effect on the future operations of the Organization.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE O - FUNCTIONAL EXPENSES

	Program Services										Supporting Services		Comparative Totals	
	Supportive Housing		Homeownership	Buyers Agent	FFLC	Totals	Management and General	Fundraising	Totals	2008	2007	2006		
	Casework	Housing												
<b>SALARIES AND RELATED EXPENSES</b>														
Salaries	\$ 886,110	\$ 202,055	\$ 245,553	\$ 21,883	\$ 54,205	\$ 1,409,806	\$ 170,754	\$ 111,853	\$ 282,607	\$ 1,692,413	\$ 1,674,850	\$ 1,546,409		
Employee benefits (*)	158,880	39,168	29,013	3,329	10,016	240,406	19,683	12,610	32,293	272,699	257,528	204,693		
Employment taxes	88,424	20,244	25,253	2,029	5,402	141,352	11,093	10,284	21,377	162,729	153,278	151,898		
	<u>1,133,414</u>	<u>261,467</u>	<u>299,819</u>	<u>27,241</u>	<u>69,623</u>	<u>1,791,564</u>	<u>201,530</u>	<u>134,747</u>	<u>336,277</u>	<u>2,127,841</u>	<u>2,085,656</u>	<u>1,903,000</u>		
<b>OTHER EXPENSES</b>														
Occupancy (rent/parking/maint)	126,855	27,473	40,932	1,224	7,615	204,099	36,728	10,995	47,723	251,822	243,197	221,533		
Telephone	23,844	3,813	4,097	460	926	33,140	2,006	1,251	3,257	36,397	30,752	31,059		
Dues and subscriptions	125	475	558	1,166	130	2,454	7,311	592	7,903	10,357	8,996	9,695		
Supplies	7,937	590	12,655	228	1,959	23,369	13,671	13,613	27,284	50,653	47,404	43,430		
Travel and conferences	48,251	12,354	10,322	48	3,785	74,760	20,324	1,972	22,296	97,056	105,651	97,091		
Postage	2,472	205	870		927	4,474	1,976	2,585	4,561	9,035	4,957	3,576		
Printing and publications	2,699	198	12,278	184	101	15,460	689	1,905	2,594	18,054	30,669	15,797		
Rental and maintenance	21,020	4,615	8,003	354	956	34,948	10,992	3,494	14,486	49,434	49,879	38,792		
Professional fees	19,939	2,084	15,733	119	16,858	54,733	24,615	2,979	27,594	82,327	64,848	49,555		
Insurance	3,415	713	804	2,868		7,800	2,107		2,107	9,907	10,144	5,654		
Agency recruiting	1,849	365	730	373		3,317				3,317	4,281	3,822		
Fundraising - Signature Event								22,717	22,717	22,717	7,175	1,559		
Miscellaneous	95	2	1,559		491	1,656	8,392	901	8,392	10,048	17,319	27,331		
Depreciation	10,672	2,273	2,749			16,185	4,330		2,861	19,046	6,008	241		
Interest and bank charges									4,330	4,330				
Direct assistance to individuals:														
Transportation	43,781	(122)				43,659			-0-	43,659	42,047	45,096		
Shelter	351	101,750				102,101			-0-	102,101	137,492	66,315		
Other	219					219			-0-	219	245	879		
	<u>44,351</u>	<u>101,628</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>145,979</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>145,979</u>	<u>179,784</u>	<u>112,290</u>		
Total Direct Assistance														
Total Other Expenses	<u>313,524</u>	<u>156,788</u>	<u>111,290</u>	<u>7,024</u>	<u>33,748</u>	<u>622,374</u>	<u>135,101</u>	<u>63,004</u>	<u>198,105</u>	<u>820,479</u>	<u>811,064</u>	<u>661,425</u>		
<b>TOTAL EXPENSES</b>	<u>\$ 1,446,938</u>	<u>\$ 418,255</u>	<u>\$ 411,109</u>	<u>\$ 34,265</u>	<u>\$ 103,371</u>	<u>\$ 2,413,938</u>	<u>\$ 336,631</u>	<u>\$ 197,751</u>	<u>\$ 534,382</u>	<u>\$ 2,948,320</u>	<u>\$ 2,896,720</u>	<u>\$ 2,564,425</u>		
Comparative Totals														
2007	\$ 1,519,552	\$ 412,492	\$ 377,847	\$ 40,726	\$ 58,514	\$ 2,409,131	\$ 345,617	\$ 141,972	\$ 487,589	\$ 2,896,720	\$ 2,896,720	\$ 2,564,425		
2006	\$ 1,413,947	\$ 335,435	\$ 272,912	\$ 40,220	\$ -0-	\$ 2,062,514	\$ 348,630	\$ 153,281	\$ 501,911	\$ 2,564,425	\$ 2,564,425	\$ 2,564,425		

(\*) Includes medical, dental, retirement, and workman's compensation.

In 2008, \$2,566,932 in expenses not specific to a functional classification were allocated to Program (83.16%), Supporting Services (10.82%), and Fundraising (6.02%) based on management's full-time equivalent formulas of how such expenses were utilized.

**OTHER FINANCIAL INFORMATION**

J. RONALD MARTIN, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT  
ON OTHER FINANCIAL INFORMATION**

Community Link, Programs of  
Travelers Aid Society of Central Carolinas, Inc.  
Charlotte, North Carolina

We have audited the consolidated financial statements of Community Link, Programs of Travelers Aid Society of Central Carolinas, Inc. and Subsidiary as of and for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedule of Computation of Indirect Cost Allocation Rate is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

October 21, 2008

A handwritten signature in black ink, reading "J. Ronald Martin, P.A.", written in a cursive style.

COMPUTATION OF INDIRECT COST ALLOCATION RATE

COMMUNITY LINK, PROGRAMS OF TRAVELERS AID  
SOCIETY OF CENTRAL CAROLINAS, INC. AND SUBSIDIARY

Year Ended June 30, 2008

	<u>Direct Costs</u>	<u>Support Costs</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel expenses	\$ 1,791,564	\$ -0-	\$ -0-	\$ 1,791,564
Direct assistance to individuals	145,979			145,979
Indirect costs		476,395		476,395
Management and general		336,631		336,631
Fundraising			<u>197,751</u>	<u>197,751</u>
	1,937,543	813,026	197,751	2,948,320
(Less) adjustments required by OMB Circular A-122 ①	<u>(-0-)</u>	<u>(87,607)</u>	<u>(4,902)</u>	<u>(92,509)</u>
	<u>\$ 1,937,543</u>	<u>\$ 725,419</u>	<u>\$ 192,849</u>	<u>\$ 2,855,811</u>
Indirect cost allocation rate	<u>725,419</u> <u>\$ 2,130,392</u> ②	<u>34.05%</u>		

The indirect cost allocation rate is determined using the Simplified Allocation Method and is based on actual expenses and depreciation/amortization charges.

Comprised of the following:

Interest and bank charges	\$ 4,330
Rent credits	81,704
Bad debts	<u>6,475</u>
	<u>\$ 92,509</u> ①
Direct costs	1,937,543
Fundraising	<u>192,849</u>
	<u>\$ 2,130,392</u> ②