

**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, 2009

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

1850 EAST THIRD STREET, SUITE 305
CHARLOTTE, NORTH CAROLINA 28204
704/375-6405
FAX 704/375-5827

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, 2009, 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, 2008 and 2007, and in our reports dated October 21, 2008, and September 7, 2007, 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, 2009, 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 September 22, 2009, 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.

September 22, 2009

A handwritten signature in black ink, reading "J. Russell Allen, F.A." The signature is written in a cursive style with a large, looping initial "J".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2009	Comparative Totals	
					2008	2007
ASSETS						
Cash and equivalents	\$ 200	\$ 47,841	\$ -0-	\$ 48,041	\$ 33,764	\$ 44,502
Amounts receivable:						
Unconditional promises receivable		392,223		392,223	677,258	420,998
Government contracts	116,750			116,750	136,369	220,801
Other receivables	25,644			25,644	40,567	49,890
Sales tax refundable	568			568	4,116	4,347
	<u>142,962</u>	<u>392,223</u>	<u>-0-</u>	<u>535,185</u>	<u>858,310</u>	<u>696,036</u>
Prepaid expenses	3,375			3,375	15,995	23,346
(Due to) due from	(60,159)	60,159		-0-	-0-	-0-
Equipment:						
Furniture, fixtures and equipment	214,840			214,840	215,938	192,603
(Less) accumulated depreciation	(128,906)			(128,906)	(110,311)	(92,431)
	<u>85,934</u>	<u>-0-</u>	<u>-0-</u>	<u>85,934</u>	<u>105,627</u>	<u>100,172</u>
	<u>\$ 172,312</u>	<u>\$ 500,223</u>	<u>\$ -0-</u>	<u>\$ 672,535</u>	<u>\$ 1,013,696</u>	<u>\$ 864,056</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and other	\$ 36,546	\$ -0-	\$ -0-	\$ 36,546	\$ 65,836	\$ 35,462
Accrued compensated absences	27,621			27,621	42,527	34,830
Line of credit	47,967			47,967	123,602	-0-
	<u>112,134</u>			<u>112,134</u>	<u>231,965</u>	<u>70,292</u>
Net assets	<u>60,178</u>	<u>500,223</u>	<u>-0-</u>	<u>560,401</u>	<u>781,731</u>	<u>793,764</u>
	<u>\$ 172,312</u>	<u>\$ 500,223</u>	<u>\$ -0-</u>	<u>\$ 672,535</u>	<u>\$ 1,013,696</u>	<u>\$ 864,056</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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2009</u>	<u>Comparative Totals</u>	
					<u>2008</u>	<u>2007</u>
SUPPORT AND OTHER						
Support:						
United Way	\$ 8,353	\$ 292,820	\$ -0-	\$ 301,173	\$ 549,806	\$ 456,150
Contributions/grants/contracts	330,650	188,500		519,150	676,598	455,912
Government contracts	1,469,723			1,469,723	1,560,947	1,757,159
In-kind (rent credit and other)	<u>82,754</u>			<u>82,754</u>	<u>81,704</u>	<u>81,704</u>
	1,891,480	481,320	-0-	2,372,800	2,869,055	2,750,925
Other:						
Interest	83			83	122	378
Miscellaneous	1,745			1,745	-0-	62
Service fees	<u>49,533</u>			<u>49,533</u>	<u>67,494</u>	<u>118,155</u>
	51,361	-0-	-0-	51,361	67,616	118,595
Net assets released from restrictions:						
Satisfaction of program/purpose restrictions	80,500	(80,500)		-0-	-0-	-0-
Satisfaction of time restrictions	<u>577,855</u>	<u>(577,855)</u>		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>658,355</u>	<u>(658,355)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND OTHER	2,601,196	(177,035)	-0-	2,424,161	2,936,671	2,869,520

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CONSOLIDATED STATEMENT OF ACTIVITIES - CONTINUED

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

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2009	Comparative Totals	
					2008	2007
Amount brought forward	\$ 2,601,196	\$ (177,035)	\$ -0-	\$ 2,424,161	\$ 2,936,671	\$ 2,869,520
EXPENSES						
Program services:						
Casework	1,161,497			1,161,497	1,446,938	1,519,552
Supportive Housing	540,424			540,424	418,255	412,492
Homeownership	336,077			336,077	411,109	377,847
Buyers Agent	2,804			2,804	34,265	40,726
Family Financial Literacy Coalition	113,216			113,216	103,371	58,514
	<u>2,154,018</u>	<u>-0-</u>	<u>-0-</u>	<u>2,154,018</u>	<u>2,413,938</u>	<u>2,409,131</u>
Supporting services:						
Management and general	357,367			357,367	336,631	345,617
Fundraising	134,209			134,209	197,751	141,972
	<u>491,576</u>	<u>-0-</u>	<u>-0-</u>	<u>491,576</u>	<u>534,382</u>	<u>487,589</u>
TOTAL EXPENSES	2,645,594	-0-	-0-	2,645,594	2,948,320	2,896,720
Gain (loss) on equipment disposals	<u>103</u>			<u>103</u>	<u>(384)</u>	<u>(132)</u>
CHANGE IN NET ASSETS	(44,295)	(177,035)	-0-	(221,330)	(12,033)	(27,332)
Net assets at beginning of the year	<u>104,473</u>	<u>677,258</u>	<u>-0-</u>	<u>781,731</u>	<u>793,764</u>	<u>821,096</u>
NET ASSETS AT END OF YEAR	\$ <u>60,178</u>	\$ <u>500,223</u>	\$ <u>-0-</u>	\$ <u>560,401</u>	\$ <u>781,731</u>	\$ <u>793,764</u>

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, 2009

	Totals 2009	Comparative Totals	
		2008	2007
OPERATING ACTIVITIES			
Change in net assets	\$ (221,330)	\$ (12,033)	\$ (27,332)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation expense	19,196	19,046	17,319
(Gain) loss on asset disposals	(103)	384	132
Decrease (increase) in unconditional promises receivable	285,035	(256,260)	43,487
Decrease (increase) in government contracts receivable	19,619	84,432	(35,602)
Decrease (increase) in other receivables	14,923	9,323	(25,251)
Decrease in sales tax refundable	3,548	231	1,647
Decrease (increase) in prepaid expenses	12,620	7,351	(14,443)
(Decrease) increase in accounts payable and other	(29,290)	30,374	874
(Decrease) increase in accrued compensated absences	(14,906)	7,697	(6,943)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	89,312	(109,455)	(46,112)
INVESTING ACTIVITIES			
(Purchases) of equipment	-0-	(24,885)	(23,798)
Proceeds from sales of equipment	600	-0-	-0-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	600	(24,885)	(23,798)
Amounts carried forward	89,912	(134,340)	(69,910)

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CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

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

Year Ended June 30, 2009

	Totals 2009	Comparative Totals	
		2008	2007
Amounts brought forward	\$ 89,912	\$ (134,340)	\$ (69,910)
FINANCING ACTIVITIES			
Net(decrease) increase in line of credit	<u>(75,635)</u>	<u>123,602</u>	<u>-0-</u>
NET CASH(USED) PROVIDED BY FINANCING ACTIVITIES	<u>(75,635)</u>	<u>123,602</u>	<u>-0-</u>
NET INCREASE (DECREASE) IN CASH	14,277	(10,738)	(69,910)
Cash and equivalents at beginning of year	<u>33,764</u>	<u>44,502</u>	<u>114,412</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 48,041</u>	<u>\$ 33,764</u>	<u>\$ 44,502</u>
Cash Summary:			
Unrestricted	\$ 200	\$ 33,764	\$ 200
Temporarily restricted	<u>47,841</u>	<u>-0-</u>	<u>44,302</u>
	<u>\$ 48,041</u>	<u>\$ 33,764</u>	<u>\$ 44,502</u>
Supplementary Information:			
Interest paid	<u>\$ 4,218</u>	<u>\$ 2,648</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, 2009

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 CONSOLIDATED 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.

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 is a member agency of United Way of Central Carolinas, Inc. ("United Way") and receives a significant part of its financial support from United Way based on 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 funds have been received.

NOTES TO CONSOLIDATED 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 receivables and support when the services have been performed or the reimbursable costs have been incurred.

Equipment: Equipment is stated at cost, if purchased, or appraised at estimated fair value at the time of receipt, if received as a contribution. Major repairs and/or improvements to existing equipment, which are expected to extend the useful life of such equipment, are capitalized at the cost of such repairs and/or improvements to the Organization. Repair costs not expected to extend the equipment's useful life are expensed in the year such costs are incurred. When equipment is sold or otherwise disposed, the cost of such equipment and any accumulated depreciation are removed from the accounts of the Organization and gain or loss is recognized in the statement of activities. Gains on exchanges of similar equipment are not recognized; however, losses are recognized when trade-in allowances are less than the current value of the equipment traded. Depreciation is computed by the straight-line method over the estimated economic lives for each respective item of equipment which ranges from 3 to 15 years.

Donated Materials and Services: Donated materials 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 informed 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 CONSOLIDATED 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.

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	\$ 18,064
Assessment and Supportive Housing	18,670
NC Department of Transportation	5,412
City of Charlotte	17,500
Home Free	20,000
FFLC	4,167
Piedmont Regional Continuum of Care	8,444
Piedmont Regional Continuum of Care 2	15,526
Regional HIV/AIDS Consortium	<u>8,967</u>
	116,750
 (Less) reserve for uncollectible amounts	 <u> (-0-)</u>
	 <u>\$ 116,750</u>

Changes in the reserve for uncollectible amounts for the year ended June 30, 2009, are as follows:

Reserve at July 1, 2008	\$ -0-
Additions to reserve	<u>12,031</u>
	12,031
 Charges against reserve	 <u>(12,031)</u>
Reserve at June 30, 2009	<u>\$ -0-</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE D - UNCONDITIONAL PROMISES RECEIVABLE

Receivable in one year or less:

United Way allocation (2008/2009)	\$ 852
United Way allocation (2009/2010)	292,820
Z. Smith Reynolds Foundation	<u>25,000</u>
	318,672

Receivable in one to three years:

The Merancas Foundation Inc.	75,000
(Less) present value discount @ 1.97% on long-term contributions	<u>(1,449)</u>
	73,551
	<u>\$ 392,223</u>

Changes in the present value discount on long-term contributions receivable for the year ended June 30, 2009, are as follows:

	<u>Present-Value Discount</u>	<u>Contributions Recognized</u>
Balance at July 1, 2008	\$ 4,802	\$ -0-
Additions	-0-	-0-
(Amortization)	<u>(3,353)</u>	<u>3,353</u>
Balance at June 30, 2009	<u>\$ 1,449</u>	<u>\$ 3,353</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

	Year Ended June 30, 2009			End of Year
	Beginning of Year	Additions	(Utilized)	
Purpose/program restricted:				
Bank of America (FFLC)	\$ -0-	\$ 25,000	\$ (25,000)	\$ -0-
Bank of America (EITC)	-0-	12,500	(12,500)	-0-
Wells Fargo (homeownership education and counseling)	-0-	13,000	(13,000)	-0-
Z. Smith Reynolds Foundation (FFLC)	-0-	25,000	-0-	25,000
BB&T (homeownership education and counseling)	-0-	5,000	(5,000)	-0-
Rotary (supportive housing)	-0-	8,000	-0-	8,000
Anonymous (homeownership education and counseling)	-0-	100,000	-0-	100,000
Wachovia (homeownership education and counseling)	<u>25,000</u>	<u>-0-</u>	<u>(25,000)</u>	<u>-0-</u>
	25,000	188,500	(80,500)	133,000
Time and purpose restricted:				
United Way allocation 2007/2008	5,159		(4,307)	852
United Way allocation 2008/2009	418,495		(418,495)	-0-
United Way allocation 2009/2010	-0-	292,820		292,820
2008 United Way Focus - Union	20,375		(20,375)	-0-
2008 United Way Focus – FFLC	38,031		(38,031)	-0-
The Merancas Foundation	<u>175,000</u>		<u>(100,000)</u>	<u>75,000</u>
	<u>657,060</u>	<u>292,820</u>	<u>(581,208)</u>	<u>368,672</u>
	682,060	481,320	(661,708)	501,672
(Less) present value discount @ 1.97% on long-term contributions	<u>(4,802)</u>		<u>3,353</u>	<u>(1,449)</u>
	<u>\$ 677,258</u>	<u>\$ 481,320</u>	<u>\$ (658,355)</u>	<u>\$ 500,223</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE F - CONTRIBUTED SERVICES AND MATERIALS/EQUIPMENT

The following services were contributed to the Organization during the year ended June 30, 2009 (See Note J):

<u>Contributions</u>	<u>Use</u>	<u>Revenue Recognized</u>	<u>Expense Recognized</u>
Occupancy:			
Rent credits	Program/Support	\$ 81,704	\$ 81,704
Printing	Fundraising	<u>1,050</u>	<u>1,050</u>
		<u>\$ 82,754</u>	<u>\$ 82,754</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 \$250,000. At June 30, 2009, the Organization did not have cash balances in excess of the \$250,000 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 significant 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 from its landlord, Children and Family Service Center, Inc., on an annual basis, however, there is no guarantee such credits will continue in the future. (See Notes F and J).

NOTES TO CONSOLIDATED 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, 2009. 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, 2009.

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, 2010. Interest is payable monthly at the bank's prime rate plus .75%. The amount outstanding at June 30, 2009, was \$47,967.

NOTE J - LEASE AGREEMENTS

The Organization leases office space under a ten-year agreement with Children and Family Service Center, Inc., (the "Center") a not-for-profit organization created to construct and maintain an office building (aka Carol Grotnes Belk building) to house nine 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 CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE J - LEASE AGREEMENTS - CONTINUED

The Organization also has lease commitments for its office in Concord, NC, which require minimum payments of \$1,800 for the first year and \$1,900 for an additional 2 years, and its office in Rock Hill, SC, which require minimum payments of \$417 per month (or \$21,600 and \$5,004 per year respectively). The Concord, NC lease expires June 30, 2012, and the Rock Hill, SC lease expires December 31, 2009. Future minimum annual lease payments for the noncancellable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Concord</u>	<u>Rock Hill</u>	<u>Total</u>
2010	\$ 21,600	\$ 2,502	\$ 24,102
2011	22,800	-0-	22,800
2012	<u>22,800</u>	<u>-0-</u>	<u>22,800</u>
	<u>\$ 67,200</u>	<u>\$ 2,502</u>	<u>\$ 69,702</u>

NOTE K - RETIREMENT PLAN

The Organization has a 401(k) retirement plan covering all employees qualifying as to length of service. The Organization is required to contribute 5% of eligible employee annual salaries plus an additional \$.50 on the dollar on employee contributions up to 3%. The Organization's contribution was \$62,910 for the year ended June 30, 2009.

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 - COLLABORATIVE SERVICES

The Organization's Board voted in July 2008 to enter into a collaboration agreement with Children and Family Services Center, Inc. (the "Center") and several other agencies in the Carol Grotnes Belk building in order to share financial and human resource functions. The collaboration began operations in 2009 and will continue through the termination of the Organization's office lease. If the Organization renews its office lease, the collaboration agreement is to be extended automatically for a period coterminous with the lease. (See Note J). The aggregate costs associated with the collaboration agreement are projected to be neutral or somewhat less than past operations. Some scales of economic performance and administrative efficiency are expected as a direct result of the Organization's participation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE N - FAIR VALUE OF FINANCIAL 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, 2007. The Statement defines fair value, establishes a framework for measuring fair value as generally accepted accounting principles (“GAAP”), and expands financial statement disclosures about fair value measurements for financial assets and liabilities. Under U.S. GAAP, the Organization must disclose an estimate of the fair value of its material financial instruments (assets and liabilities).

Financial assets are cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right (1) to receive cash or another financial instrument from a second entity or (2) to exchange other financial instruments on potentially favorable terms with the second entity.

Financial liabilities are contracts that impose on one entity an obligation (1) to deliver cash or another financial instrument to a second entity or (2) to exchange other financial instruments on potentially unfavorable terms with the second entity.

In order to increase consistency and comparability in fair value measurements and related disclosures, the Statement prioritizes the valuation techniques (inputs) used to measure fair value into three broad levels, as summarized below:

- Level 1 inputs that are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs that are other than quoted prices included within Level 1 that are observable for assets or liabilities, such as:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market)
 - Inputs other than quoted prices that are observable for assets or liabilities (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates)
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Level 3 inputs that are unobservable for assets or liabilities. Unobservable inputs are to be used to measure fair value to the extent that observable inputs are not available, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE N - FAIR VALUE OF FINANCIAL MEASUREMENTS - CONTINUED

The following table summarizes the Organization’s financial instruments.

Description	December 31, 2008	Fair Value Measurements Using			Total Gains/ (Losses)
		Level 1	Level 2	Level 3	
Cash and equivalents	\$ 48,041	\$ 48,041			\$ -0-
Accounts receivable	\$ 535,185		\$ 535,185		-0-
Prepaid expenses	\$ 3,375		\$ 3,375		-0-
Current liabilities	\$ 112,134		\$ 112,134		-0-

NOTE O - RECENT ACCOUNTING PRONOUNCEMENTS

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (“FIN 48”) was issued in 2006 and clarifies the accounting for the recognition and measurement of uncertainties in income taxes for all entities, including not-for-profit organizations. In accordance with FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* (“FSP FIN 48-3”), the Organization has elected to defer adoption of FIN 48, as of and for the year ended June 30, 2009. The Organization continues to account for uncertain tax positions, of which there are none, in accordance with the principles of Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, under which liabilities for uncertain tax positions are recognized in the financial statements when it becomes probable a liability has been incurred and the amount can be reasonable estimated. Unless the deferral is extended further, the Organization will be required to adopt FIN 48 for the year ending June 30, 2010. Adoption of FIN 48 is not expected to have a significant effect on the Organization’s financial statements.

On August 6, 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This FASB Staff Position (“FSP”) provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutions Funds Act of 2006 (“UPMIFA”). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. The FSP also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. UPMIFA and the FSP are not expected to have an effect on the Organization’s financial statements and disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE O - RECENT ACCOUNTING PRONOUNCEMENTS - CONTINUED

In May 2009, the Financial Accounting Standards Board issued FASB Statement No. 164, *Not-for-Profit Entities: Mergers and Acquisitions*. The statement establishes principles and requirements for not-for-profit entities on how to:

- a. Determine whether a combination is a merger or an acquisition
- b. Apply the carryover method in accounting for a merger
- c. Apply the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer
- d. Determine what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition.

This Statement is effective for:

- a. Mergers for which the merger date is on or after the beginning of an *initial* reporting period beginning on or after December 15, 2009
- b. Acquisitions for which the acquisition date is on or after the beginning of the first *annual* reporting period beginning on or after December 15, 2009.

Effective for interim and annual financial reporting periods ending after June 15, 2009, the Financial Accounting Standards Board issued FASB No. 165, *Subsequent Events*. This statement establishes principles and requirements for subsequent events and sets forth:

- The period after the balance sheet date during which management of a reporting organization shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements
- The circumstances under which an organization shall recognize events or transactions occurring after the balance sheet date in its financial statements
- The disclosures that an organization shall make about events or transactions that occurred after the balance sheet date.

Adoption of the FASB No. 165 did not have an effect on the Organization's financial statements and disclosures for the year ended June 30, 2009.

NOTE P - SUBSEQUENT EVENTS

The Organization registered a new 501(c)3 in South Carolina called Community Link of South Carolina, Inc. on July 17, 2009. The Board will be comprised of some of the Organization's current board members.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE Q - FUNCTIONAL EXPENSES

	Program Services					Supporting Services			Totals 2009	Comparative Totals		
	Casework	Supportive Housing	Homeownership	Buyers Agent	FFLC	Totals	Management and General	Fundraising		Totals	2008	2007
SALARIES AND RELATED EXPENSES												
Salaries	\$ 702,174	\$ 169,900	\$ 197,025	\$ -0-	\$ 57,413	\$ 1,126,512	\$ 136,177	\$ 66,456	\$ 202,633	\$ 1,329,145	\$ 1,692,413	\$ 1,674,850
Employee benefits (*)	143,307	39,310	32,225	15	12,700	227,557	21,955	10,025	31,980	259,537	272,699	257,528
Employment taxes	<u>62,510</u>	<u>15,045</u>	<u>18,195</u>		<u>4,945</u>	<u>100,695</u>	<u>11,482</u>	<u>5,947</u>	<u>17,429</u>	<u>118,124</u>	<u>162,729</u>	<u>153,278</u>
	907,991	224,255	247,445	15	75,058	1,454,764	169,614	82,428	252,042	1,706,806	2,127,841	2,085,656
OTHER EXPENSES												
Occupancy (rent/parking/maint)	85,054	15,982	31,871		6,443	139,350	85,899	5,270	91,169	230,519	251,822	243,197
Telephone	20,771	3,775	4,711		1,014	30,271	659	1,820	2,479	32,750	36,397	30,752
Dues and subscriptions	65	200	398	975	175	1,813	4,149	322	4,471	6,284	10,357	8,996
Supplies	4,524	519	10,274		574	15,891	3,699	170	3,869	19,760	50,653	47,404
Travel and conferences	39,469	8,620	7,154		5,149	60,392	19,699	4,178	23,877	84,269	97,056	105,651
Postage	784	65	888		111	1,848	1,436	895	2,331	4,179	9,035	4,957
Printing and publications	1,715	148	6,975		160	8,998	857	3,592	4,449	13,447	18,054	30,669
Rental and maintenance	6,455	1,440	2,040		360	10,295	8,809	4,126	12,935	23,230	49,434	49,879
Professional fees	22,195	2,605	12,688		21,358	58,846	7,964	23,285	31,249	90,095	82,327	64,848
Professional fees – shared services	17,310	3,818	7,468		1,731	30,327	33,114	542	33,656	63,983	-0-	-0-
Insurance	2,251	519	611	1,814		5,195	3,847		3,847	9,042	9,907	10,144
Agency recruiting	30		655		389	1,074				1,074	3,317	4,281
Fundraising								6,755	6,755	6,755	22,717	-0-
Miscellaneous							7,877		7,877	7,877	10,048	7,175
Depreciation	10,956	2,403	2,899		694	16,952	1,418	826	2,244	19,196	19,046	17,319
Interest and bank charges							8,326		8,326	8,326	4,330	6,008
Direct assistance to individuals:												
Transportation	34,240	618				34,858				34,858	43,659	42,047
Shelter	550	275,457				276,007				276,007	102,101	137,492
Other	<u>7,137</u>					<u>7,137</u>				<u>7,137</u>	<u>219</u>	<u>245</u>
Total Direct Assistance	<u>41,927</u>	<u>276,075</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>318,002</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>318,002</u>	<u>145,979</u>	<u>179,784</u>
Total Other Expenses	<u>253,506</u>	<u>316,169</u>	<u>88,632</u>	<u>2,789</u>	<u>38,158</u>	<u>699,254</u>	<u>187,753</u>	<u>51,781</u>	<u>239,534</u>	<u>938,788</u>	<u>820,479</u>	<u>811,064</u>
TOTAL EXPENSES	<u>\$ 1,161,497</u>	<u>\$ 540,424</u>	<u>\$ 336,077</u>	<u>\$ 2,804</u>	<u>\$ 113,216</u>	<u>\$ 2,154,018</u>	<u>\$ 357,367</u>	<u>\$ 134,209</u>	<u>\$ 491,576</u>	<u>\$ 2,645,594</u>	<u>\$ 2,948,320</u>	<u>\$ 2,896,720</u>
Comparative Totals												
2008	<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>		
2007	<u>\$ 1,519,552</u>	<u>\$ 412,492</u>	<u>\$ 377,847</u>	<u>\$ 40,726</u>	<u>\$ 58,514</u>	<u>\$ 2,409,131</u>	<u>\$ 345,617</u>	<u>\$ 141,972</u>	<u>\$ 487,589</u>	<u>\$ 2,896,720</u>		

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

In 2009, \$2,166,579 in expenses not specific to a functional classification were allocated to Program (80.35%), Supporting Services (14.19%), and Fundraising (5.46%) based on management's full-time equivalent formulas of how such expenses were utilized.

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 estimate of how such expenses were utilized.

OTHER FINANCIAL INFORMATION

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

1850 EAST THIRD STREET, SUITE 305
CHARLOTTE, NORTH CAROLINA 28204
704/375-6405
FAX 704/375-5827

**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, 2009, and have issued our report thereon dated September 22, 2009. 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.

September 22, 2009

A handwritten signature in black ink, appearing to read "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, 2009

	<u>Direct Costs</u>	<u>Support Costs</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel expenses	\$ 1,454,764	\$ -0-	\$ -0-	\$ 1,454,764
Direct assistance to individuals	318,002			318,002
Indirect costs		381,252		381,252
Management and general		357,367		357,367
Fundraising			<u>134,209</u>	<u>134,209</u>
	<u>1,772,766</u>	<u>738,619</u>	<u>134,209</u>	<u>2,645,594</u>
 (Less) adjustments required by OMB Circular A-122 ①	 <u>(-0-)</u>	 <u>(97,600)</u>	 <u>(4,461)</u>	 <u>(102,061)</u>
	<u>\$ 1,772,766</u>	<u>\$ 641,019</u>	<u>\$ 129,748</u>	<u>\$ 2,543,533</u>
 Indirect cost allocation rate	 <u>641,019</u>	 <u>33.69%</u>		
	<u>\$ 1,902,524</u> ②			

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	\$ 8,326
Rent credits	81,704
Bad debts	<u>12,031</u>
	<u>\$ 102,061</u> ①
 Direct costs	 \$ 1,772,776
Fundraising	<u>129,748</u>
	<u>\$ 1,902,524</u> ②