

McGladrey & Pullen

Certified Public Accountants

Cape Fear Area United Way, Incorporated

Financial and Compliance Reports
06.30.2009

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Cape Fear Area United Way, Incorporated
Wilmington, North Carolina

We have audited the accompanying statement of financial position of Cape Fear Area United Way, Incorporated as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the period from January 1, 2008 to June 30, 2009. These financial statements are the responsibility of Cape Fear Area United Way, Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Additionally, the audit was conducted in accordance with 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cape Fear Area United Way, Incorporated as of June 30, 2009, and the changes in its net assets and its cash flows for the period from January 1, 2008 to June 30, 2009 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 28, 2009 on our consideration of Cape Fear Area United Way, Incorporated'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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Cape Fear Area United Way, Incorporated. The supplementary information, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis of the financial statements and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

New Bern, North Carolina
September 28, 2009

Cape Fear Area United Way, Incorporated

**Statement of Financial Position
June 30, 2009**

Assets

Cash and cash equivalents (Note 7)	\$ 1,424,047
Investments (Note 7)	455,869
Receivables:	
Annual campaign pledges receivable, less allowance for uncollectible pledges 2009 \$320,278 (Note 2)	680,401
Other	6,668
Prepaid expenses	6,430
Equipment, net of accumulated depreciation 2009 \$77,398 (Note 4)	82,187
Total assets	\$ 2,655,602

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 32,312
Deferred revenue	9,358
Grants payable (Note 5)	630,162
Due to designated agencies (Note 5)	233,850
Facility and equipment lease obligations (Note 4)	46,605
Total liabilities	952,287

Commitments (Notes 4 and 6)

Net assets:	
Unrestricted	1,703,315
Total net assets	1,703,315
Total liabilities and net assets	\$ 2,655,602

See Notes to Financial Statements.

Cape Fear Area United Way, Incorporated

Statement of Activities

For the Period From January 1, 2008 to June 30, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue, grants, and other support:			
Public support received directly:			
Annual campaign (net of estimated uncollectible pledges 2009 \$233,943)	\$ 2,207,794	\$ 233,850	\$ 2,441,644
Less donor designations	(50,039)	(233,850)	(283,889)
Grant revenue (Note 3)	825,607	-	825,607
Investment income	41,451	-	41,451
Miscellaneous income	64,076	-	64,076
Local grants	137,186	-	137,186
Loss on marketable securities	(51,021)	-	(51,021)
Net assets released from restrictions:			
Expiration of time and/or purpose restrictions	1,561,302	(1,561,302)	-
Total revenue, grants, and other support	4,736,356	(1,561,302)	3,175,054
Allocations and other functional expenses:			
Allocations and grants	1,619,626	-	1,619,626
Program services:			
Senior Aides Program	847,261	-	847,261
Community Impact	412,071	-	412,071
Marketing and Communications	225,201	-	225,201
Support services:			
General and administrative	283,569	-	283,569
Fund raising	299,301	-	299,301
United Way of America dues	44,933	-	44,933
Total expenses	3,731,962	-	3,731,962
Change in net assets	1,004,394	(1,561,302)	(556,908)
Net assets:			
Beginning	698,921	1,561,302	2,260,223
Ending	\$ 1,703,315	\$ -	\$ 1,703,315

See Notes to Financial Statements.

Cape Fear Area United Way, Incorporated

**Statement of Functional Expenses
For the Period From January 1, 2008 to June 30, 2009**

	Program Services			
	Allocations and Grants	Senior Aides Program	Community Impact	Marketing and Communications
Support allocations	\$ 2,120,518	\$ -	\$ -	\$ -
Less donor designations	(500,892)	-	-	-
Total allocations	1,619,626	-	-	-
Salaries	-	696,826	228,343	140,708
Employee health and retirement benefits	-	21,871	38,633	22,481
Payroll taxes	-	59,114	26,386	14,324
Total salaries and related costs	-	777,811	293,362	177,513
Professional fees	-	10,473	-	-
Office supplies	-	6,845	4,449	3,491
Campaign/grant supplies and expense	-	9	214	-
Telephone	-	1,558	3,182	2,364
Utilities and housekeeping	-	2,351	2,357	1,804
Postage and shipping	-	(1,760)	1,146	726
Building maintenance and rent	-	11,712	34,549	22,824
Equipment maintenance, depreciation and rent	-	19,508	5,039	3,297
Computer software maintenance and training	-	1,458	3,152	1,724
Advertising, printing and publications	-	654	15,460	2,172
Travel, lodging and meals	-	9,191	8,051	2,890
Annual meeting	-	304	1,908	-
Membership dues	-	290	1,273	789
Insurance	-	387	949	633
Conferences, training and education	-	4,238	1,715	1,293
211 Project	-	-	19,374	-
Miscellaneous	-	2,232	4,641	3,681
Special grants and events	-	-	7,500	-
Strategic plan expense	-	-	3,750	-
	\$ 1,619,626	\$ 847,261	\$ 412,071	\$ 225,201

See Notes to Financial Statements.

Support Services				
General and Administrative	Fund Raising	United Way of America Dues	Totals	
\$ -	\$ -	\$ -	\$ 2,120,518	
-	-	-	(500,892)	
-	-	-	1,619,626	
128,664	167,802	-	1,362,343	
18,073	30,267	-	131,325	
13,466	16,396	-	129,686	
160,203	214,465	-	1,623,354	
35,763	-	-	46,236	
1,441	3,050	-	19,276	
-	19,535	-	19,758	
3,428	2,906	-	13,438	
1,575	2,715	-	10,802	
1,112	2,243	-	3,467	
54,761	20,469	-	144,315	
9,718	6,188	-	43,750	
1,360	2,356	-	10,050	
338	3,290	-	21,914	
2,471	2,915	-	25,518	
1,321	2,357	-	5,890	
930	1,665	44,933	49,880	
492	1,055	-	3,516	
451	2,020	-	9,717	
1,088	-	-	20,462	
7,117	6,550	-	24,221	
-	5,522	-	13,022	
-	-	-	3,750	
\$ 283,569	\$ 299,301	\$ 44,933	\$ 3,731,962	

Cape Fear Area United Way, Incorporated

Statement of Cash Flows

For the Period From January 1, 2008 to June 30, 2009

Cash Flows From Operating Activities	
Change in net assets	\$ (556,908)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,066
Loss on disposal of equipment	8,722
Unrealized loss on marketable securities	51,021
In-kind rent contribution on equipment lease and other expenses	6,847
Changes in assets and liabilities:	
(Increase) decrease in:	
Pledge receivables	703,031
Other receivables	(1,504)
Prepaid expenses	3,160
Increase (decrease) in:	
Accounts payable and accrued expenses	9,284
Deferred revenue	(27,639)
Due to designated agencies and grants payable	363,129
Net cash provided by operating activities	580,209
Cash Flows Used In Investing Activities	
Purchase of equipment	(9,630)
Purchase of investments	(177,532)
Net cash used in investing activities	(187,162)
Net increase in cash and cash equivalents	393,047
Cash and cash equivalents:	
Beginning	1,031,000
Ending	<u>\$ 1,424,047</u>
Supplemental Disclosures of Cash Flow Information	
Unrealized loss on investment in marketable securities	<u>\$ 51,021</u>
Note payable exchanged for equipment	<u>\$ 39,758</u>

See Notes to Financial Statements.

Cape Fear Area United Way, Incorporated

Notes to Financial Statements

Note 1. Description of Organization and Summary of Significant Accounting Policies

Organization: Cape Fear Area United Way, Incorporated (the Organization) is a nonprofit organization, organized under the laws of the State of North Carolina for the primary purpose of soliciting and distributing funds to local human service agencies serving New Hanover, Pender, and Brunswick counties. The Organization was incorporated on July 3, 1953 and is governed by volunteer board of directors. The Organization also directly sponsors and administers a federal grant program and carries out several smaller community programs. The mission of the United Way is to provide the community-wide leadership to develop resources and assure their effective use for delivery of needed human care services. Prior to January 1, 2008, the Organization's fiscal year was on a calendar year end of December 31. The Organization has since changed its fiscal year-end to June 30, with the first reporting period representing the 18 month period from January 1, 2008 to June 30, 2009. This change was done to coincide with both the annual campaign period as well as the federal grant period of the Senior AIDES program which it administers.

The Organization uses the following program service categories for reporting purposes:

Allocations and Grants: Funds directed to other non-profit agencies through 49 programs to address critical health and human service needs in the tri-county area.

Senior Aides Program: A federally funded program, sponsored by the Organization, placing low-income seniors in community service positions that provide them with valuable training and work experiences.

Community Impact: Programs dedicated to strengthening our community through effective volunteerism. The Cape Fear Volunteer Center matches those who want to volunteer their time and skills with agencies and projects that need help. In addition, the Community Services and Planning programs work hand-in-hand to assess the community's priority needs and then develop services and responses to those needs. The Organization undertakes a comprehensive health and human services needs assessment every 3-5 years and then continually participates in forums, meetings and initiatives to make the Organization the "experts" on community needs and solutions. Through several programs, the Organization is responding to those findings.

Marketing and Communications: This division serves to promote all the programs listed above. It plans and executes Days of Caring, a volunteer initiative for health and human service agencies. It provides recruitment tools for volunteer involvement in the annual Allocation process. Likewise, it provides tools for the enlistment of senior aides and employers. The division also produces and disseminates materials that serve the community in an Information and Referral capacity, works to bring structure to the needs assessment process, focus groups, key informant surveys, etc., and performs public policy duties.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Unrestricted net assets include all resources whose use is not limited or restricted by donors.

Temporarily restricted net assets, if any, will include all resources not yet presently available for unrestricted use by the Organization due to timing or purpose restrictions placed by donors. Any temporarily restricted net assets recorded by the organization are transferred to unrestricted net assets as the donor imposed time or purpose restrictions are met. The Organization has no temporarily restricted net assets at June 30, 2009.

The Organization has no permanently restricted net assets at June 30, 2009.

Cape Fear Area United Way, Incorporated

Notes to Financial Statements

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all certificates of deposit with a maturity at the time of purchase of three months or less to be cash equivalents.

Investments: Investments include a mutual fund investment which is carried at fair value as determined by quoted market price (the highest of three fair value measurement levels identified in accounting principles generally accepted in the United States of America) and 3 certificates of deposit.

Pledges receivable and allowance for doubtful pledges: Pledges receivable are stated at the full amount of outstanding pledges made by donors, less an allowance for doubtful pledges. Donor pledge balances may be paid in lump-sum billings, or received in monthly or quarterly employee payroll deductions. No interest is charged against unpaid balances. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the pledges that will not be collected. Management evaluates historical write-offs as a percentage of the total pledges received for each campaign year to estimate a general allowance to apply to the current year campaign pledge total. This estimate may be adjusted for management's estimate of any changes in current economic conditions that might give rise to results that differ from past experience, and at times the amount of the adjustment can be material.

Equipment: Equipment is recorded at cost unless donated. Donated equipment is recorded at fair value at the time of donation. Depreciation is calculated using primarily the straight-line method over the estimated useful lives of the related assets.

Income taxes: The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and similar provisions in the North Carolina law.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and are recognized as support, net of an allowance for estimated uncollectible pledges, as received (in the form of cash, unconditional promises to pay (or pledges), etc.). Most contributions are received in conjunction with our annual campaign. Amounts received in the annual campaign are generally donor-restricted for use in the next calendar year and/or for specific purposes. The annual campaign generally begins in August and runs through December. Pledges payable over more than one year are discounted to their present value at the time the pledges are made. When the donor-stipulated time restriction ends and/or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as "net assets released from restriction". If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Resources received in an agency, trustee or intermediary capacity (donor designations) are recorded as increases in assets and liabilities (due to designated agencies) and are not considered contributions to the Organization. A key consideration in distinguishing a contribution from an agency transaction is whether the organization has variance power over the use of the funds. Most reimbursement-based grants are considered exchange transactions.

Contributions made by the Organization to other agencies are reported when an unconditional obligation to pay (i.e. allocations or grants) is communicated to the donee. This communication generally occurs after the conclusion of our annual campaign.

Cape Fear Area United Way, Incorporated

Notes to Financial Statements

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Functional expenses: The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expense classification. Other expenses that are common to several functions are allocated by statistical or other means.

Contributed services: No amounts have been reflected in the statements for donated services since such services do not meet certain criteria for recognition; however, a substantial number of volunteers have donated significant amounts of time to the Organization, primarily in its fund-raising campaigns. The Organization also received advertising services with a fair value of \$22,500 for the period from January 1, 2008 to June 30, 2009.

Estimates: The preparation of financial statements 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 revenues and expenses (including functional allocations) during the reporting period. Actual results could differ from those estimates.

Custodial funds: The Organization maintains a separate bank account for the funds raised by the Cape Fear Area Combined Federal Campaign ("CFC"). The Organization also provides administrative services for the New Hanover, Pender, and Brunswick County State Employees Combined Campaign ("SECC"). The operations of these campaigns are included in the accompanying financial statements.

Financial Instruments: The Organization's financial instruments include cash, cash equivalents, investments, receivables, accounts payable, and accrued expenses. Due to the short term nature of cash, cash equivalents, receivables, and accounts payable and accrued expenses, the carrying value of each which approximates fair value. The carrying value of investments is based on quoted market prices in active markets for identical assets.

Subsequent Events: The Organization has evaluated its subsequent events (events occurring after June 30, 2009) through September 28, 2009, which represents the date the financial statements were issued.

Note 2. Temporarily Restricted Net Assets and Pledges Receivable

The balance of temporarily restricted net assets as of June 30, 2009 is \$0. All temporarily restricted receivables are restricted for specific donor-restrictions which are temporarily restricted for specific donor designations to other organizations and are therefore recorded as a designation payable, reducing net assets to \$0. The Organization has historically had significant amounts of temporarily restricted net assets from time-restrictions due to the campaign period spreading across multiple fiscal years. With the switch to a June 30 year-end, the campaign period will run more in line with the fiscal year and the amount of temporarily restricted net assets is expected to continue to be low in future years, consisting primarily of purpose-restricted net assets only which have not yet been utilized for their restricted purpose. Substantially all net annual campaign pledges receivable are due currently.

Estimates of the allowance for uncollectible pledges are based on historical patterns, and could change in the future by a significant amount if economic and employment trends change.

Cape Fear Area United Way, Incorporated

Notes to Financial Statements

Note 3. Government Grants

The Organization sponsors the Senior Community Service Employment Program (Senior Aides Program) under annual agreements with the National Senior Citizens Education and Research Center, Inc. The current agreement ended June 30, 2009. The annual agreement was renewed for the fiscal year ending June 30, 2010. The program hires people who meet certain age and income requirements and places them into part-time jobs at local nonprofit and public agencies which provide human services to the community. As a sponsor, the Organization is required to provide a nonfederal contribution to the administrative costs of the program of not less than 10% of the sum of the federal and nonfederal funds supporting the program. Certain indirect administrative costs of the program are classified as general and administrative expense.

Grant revenue recognized under this program was \$825,607 during the period from January 1, 2008 to June 30, 2009, including funds received for the program under the American Recovery and Reinvestment Act.

Note 4. Operating Leases, Equipment Payable and Related Party Transactions

Effective February 2008, the Organization entered into an operating lease agreement on a new facility. This agreement is a ten-year operating lease through January 2018, with an option to extend for up to 3 additional 2 year terms. Rental payments under this new agreement will be \$5,833 per month for the first year with a 3% escalation per annum, continuing through 2018. In accordance with generally accepted accounting principles, the total lease expense has been recognized on a straight line over the life of the lease, with a deferred rent reported in facility and equipment lease obligations of \$13,647 at June 30, 2009. Rent expense totaling \$132,012 was recorded for the period January 1, 2008 to June 30, 2009 which includes actual rent paid, adjusted to the straight line basis, plus the fair market value of the portion of rent below fair market value of \$18,329.

In April 2008, the Organization entered into an operating lease agreement with EastCoast Research, a related party, to sublease additional space in connection with the facilities above. EastCoast Research is considered a related party through ownership by an individual who is also a member of the Board of Directors. This agreement is a 3 year operating lease through May 2011, with the option to extend for up to 2 additional 3 year terms. Rent expense under this agreement ranges from \$856 to \$908 per month over the initial term of the lease.

Future minimum rentals of operating leases are as follows:

Year Ending June 30,	Operating Lease Obligations
2010	\$ 83,611
2011	85,181
2012	77,448
2013	79,772
2014	82,159
Thereafter	314,855
Total	\$ 723,026

Cape Fear Area United Way, Incorporated

Notes to Financial Statements

Note 4. Operating Leases, Equipment Payable and Related Party Transactions (Continued)

In addition to the operating leases above, the Organization entered into a note payable with EastCoast Research totaling \$39,758 related to the transfer of certain assets for use by the Organization in their day to day operations. The note is to be repaid through use of the facilities by EastCoast Research for focus group sessions at a rate of \$400 per use. The note is due, without interest, by deduction of the rent against the balance until the earlier of full payment of the balance or February 15, 2013, at which time any unpaid balance is due in full. \$32,958 remains outstanding at June 30, 2009 related to this Note.

Note 5. Grants Payable and Due to Designated Agencies

In June 2009, the Organization approved its 2009 operating budget, including grant allocations communicated to partner agencies in the amount of \$630,162, as well as \$233,850 of donor designations (due to designated agencies).

Note 6. Defined Contribution Pension Plan

The Organization maintains a defined contribution pension plan qualified under Section 401(a) of the Code. The plan covers employees who are at least age 21 and have one year of eligible service. The plan provides for monthly employer contributions on behalf of participants of 10% of the participants' compensation. Total employer contributions for the period from January 1, 2008 to June 30, 2009 were \$87,841.

Note 7. Concentrations of Credit Risk

The Organization maintains its cash and cash equivalents in several commercial banks. The amounts on deposit at June 30, 2009 exceeded the insurance limits of the Federal Deposit Insurance Corporation.

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Supplementary Information

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Cape Fear Area United Way, Incorporated

Schedule of Support Allocations for the 2007 and 2008 Campaigns For the Period From January 1, 2008 to June 30, 2009

Cape Fear Health Net	\$	307,184
American Red Cross, Cape Fear Chapter		77,773
Brigade Boys and Girls Club		48,118
Brunswick County Literacy Council		7,422
Brunswick Family Assistance Agency		85,286
Cape Fear Council, Boy Scouts of America		17,548
Cape Fear Habitat for Humanity		30,755
Cape Fear Literacy Council		22,702
Carousel Center		62,693
Catholic Charities		29,694
CAPP Center		64,476
Child Development Center		26,572
Coastal Horizons Center		23,700
Communities in Schools - Brunswick		41,833
Community Boys and Girls Club		64,554
Cooperative Extensions Ability Garden		19,053
Domestic Violence Shelter		37,717
DREAMS Center for Arts Education		50,824
Food Bank of Southeastern NC		47,860
Girls, Inc.		29,104
Good Shepherd Center		238,432
Kids Making It		37,912
Lower Cape Fear Hospice		61,572
Mother Hubbard's Cupboard		6,416
New Hope Clinic		30,180
Pender Adult Services		22,318
Smart Start of New Hanover County		12,000
The Salvation Army		51,699
Tileston Outreach Health Clinic		97,475
Wilmington Health Access for Teens		45,452
Wilmington Interfaith Hospitality Network		11,366
Wilmington Family YMCA		11,613
CIS Cape Fear		48,000
Dolphin Aquatics and Fitness		35,000
Elderhaus, Inc.		7,417
Girl Scout Council of Coastal Carolina		6,319
Hope Harbor Home, Inc.		5,832
		<hr/>
		1,823,871
Others and designation adjustments		<hr/>
		296,647
Total allocations		<hr/>
		2,120,518
		<hr/>
Less contributions designated by donors in prior campaign		500,892
		<hr/>
	\$	<u>1,619,626</u>

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McGladrey & Pullen

Certified Public Accountants

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

To the Board of Directors
Cape Fear Area United Way, Incorporated
Wilmington, North Carolina

We have audited the financial statements of Cape Fear Area United Way, Incorporated as of June 30, 2009 and for the period from January 1, 2008 to June 30, 2009, and have issued our report thereon dated September 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cape Fear Area United Way, Incorporated's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cape Fear Area United Way, Incorporated's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cape Fear Area United Way, Incorporated's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cape Fear Area United Way, Incorporated's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Cape Fear Area United Way, Incorporated's financial statements that is more than inconsequential will not be prevented or detected by Cape Fear Area United Way, Incorporated's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cape Fear Area United Way, Incorporated's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, finance committee, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

New Bern, North Carolina
September 28, 2009

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Directors
Cape Fear Area United Way, Incorporated
Wilmington, North Carolina

Compliance

We have audited the compliance of Cape Fear Area United Way, Incorporated with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the period from January 1, 2008 to June 30, 2009. Cape Fear Area United Way, Incorporated's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Cape Fear Area United Way, Incorporated's management. Our responsibility is to express an opinion on Cape Fear Area United Way, Incorporated's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cape Fear Area United Way, Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cape Fear Area United Way, Incorporated's compliance with those requirements.

In our opinion, Cape Fear Area United Way, Incorporated complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the period from January 1, 2008 to June 30, 2009.

Internal Control Over Compliance

The management of Cape Fear Area United Way, Incorporated is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cape Fear Area United Way, Incorporated's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cape Fear Area United Way, Incorporated's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cape Fear Area United Way, Incorporated's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Cape Fear Area United Way, Incorporated's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Cape Fear Area United Way, Incorporated's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, finance committee, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New Bern, North Carolina
September 28, 2009

Cape Fear Area United Way, Incorporated

**Schedule of Findings and Questioned Costs
For the Period From January 1, 2008 to June 30, 2009**

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major federal program:

<u>CFDA #</u>	<u>Program Name</u>
17.235	National Senior Citizens Education and Research Center, Inc. Community Service Employment Program

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Cape Fear Area United Way, Incorporated

**Schedule of Findings and Questioned Costs
For the Period From January 1, 2008 to June 30, 2009**

Section 2. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None Reported

Section 3. Findings and Questioned Costs for Federal Awards

None Reported

Cape Fear Area United Way, Incorporated

Corrective Action Plan

For the Period From January 1, 2008 to June 30, 2009

No corrective action plan is required for the current audit period.

Cape Fear Area United Way, Incorporated

**Summary Schedule of Prior Audit Findings
For the Period From January 1, 2008 to June 30, 2009**

There are no prior audit findings that require reporting in this schedule.

Cape Fear Area United Way, Incorporated

**Schedule of Expenditures of Federal Awards
For the Period From January 1, 2008 to June 30, 2009**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Award Year	Federal Expenditures
<u>U.S. Department of Labor</u>			
Pass Through:			
National Senior Citizens Education and Research Center, Inc. Senior Community Service Employment Program January 1, 2008- June 30, 2008 *	17.235	2008	\$ 294,415
July 1, 2008 - June 30, 2009	17.235	2009	522,442
American Recovery and Reinvestment Act Funds	17.235	2009	<u>8,750</u>
			<u>\$ 825,607</u>

*Includes additional amounts to reimburse the organization for expenses from a prior grant period.

Notes to Schedule

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cape Fear Area United Way, Incorporated and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: All of the activities related to the award are accounted for in the unrestricted net asset class in the Organization's financial statements.