

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Financial Statements  
June 30, 2012 and 2011

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Prevent Child Abuse North Carolina, Inc.  
Raleigh, North Carolina

We have audited the accompanying statements of financial position of Prevent Child Abuse North Carolina, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Prevent Child Abuse North Carolina, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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 December 12, 2012, on our consideration of Prevent Child Abuse North Carolina, Inc.'s internal control over financial reporting and 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 should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Prevent Child Abuse North Carolina, Inc. taken as a whole. The accompanying supplemental schedules of federal and state awards are presented for purposes of additional analysis only 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 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 12, 2012

*Walker Rodeniser & Welch LLP*

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
 Statements of Financial Position  
 June 30, 2012 and 2011

<b>Assets</b>	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 914,225	\$ 510,175
Accounts receivable:		
N.C. State contracts	39,854	45,038
Other	9,695	2,086
Refundable sales tax	2,647	7,148
Prepaid expenses	<u>15,735</u>	<u>12,816</u>
Total current assets	982,156	577,263
Fixed assets, at cost:		
Office equipment	43,842	54,459
Furniture and fixtures	<u>13,675</u>	<u>13,675</u>
	57,517	68,134
Less accumulated depreciation	<u>49,970</u>	<u>59,097</u>
Fixed assets, net	<u>7,547</u>	<u>9,037</u>
Total assets	<u>\$ 989,703</u>	<u>\$ 586,300</u>

-Continued-

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
 Statements of Financial Position (Continued)  
 June 30, 2012 and 2011

<b>Liabilities and Net Assets</b>	<u>2012</u>	<u>2011</u>
Current liabilities		
Accounts payable	\$ 22,033	\$ 19,861
Accrued vacation	25,443	24,056
Other accrued expenses	930	1,169
Deferred revenue:		
Duke Endowment Grants	399,000	8,443
Kate B. Reynolds Grant	70,368	17,377
MS Foundation for Women	43,173	30,160
Eshelman	40,000	25,000
Grantmakers in Health	25,000	-
Other	10,200	5,000
	<u>636,147</u>	<u>131,066</u>
Total current liabilities		
Net assets		
Board designated	-	65,000
Unrestricted	353,556	390,234
	<u>353,556</u>	<u>455,234</u>
Total net assets		
	<u>\$ 989,703</u>	<u>\$ 586,300</u>
Total liabilities and net assets		

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Statement of Activities  
For the Year Ended June 30, 2012

	Unrestricted	Permanently Restricted	Temporarily Restricted	Total
<b>Public Support and Revenues</b>				
Contributions	\$ 104,314	\$ -	\$ -	\$ 104,314
Conference and training income	60,463	-	-	60,463
Special events	51,862	-	-	51,862
Contracts:				
N.C. Division of Social Services	389,039	-	-	389,039
Grants:				
Duke Endowment	365,844	-	-	365,844
Kate B. Reynolds	116,466	-	-	116,466
MS Foundation for Women	42,987	-	-	42,987
Eshelman	35,000	-	-	35,000
Pope Foundation	45,000	-	-	45,000
Other	17,000	-	-	17,000
Membership dues	76,670	-	-	76,670
Interest income	2,971	-	-	2,971
Miscellaneous	2,894	-	-	2,894
Net assets released from donor restrictions	-	-	-	-
Total	<u>1,310,510</u>	<u>-</u>	<u>-</u>	<u>1,310,510</u>
<b>Expenses</b>				
Program services	1,201,487	-	-	1,201,487
Fundraising	128,910	-	-	128,910
Management and general	81,791	-	-	81,791
Total	<u>1,412,188</u>	<u>-</u>	<u>-</u>	<u>1,412,188</u>
Change in net assets	(101,678)	-	-	(101,678)
Net assets, beginning of year	455,234	-	-	455,234
Net assets, end of year	<u>\$ 353,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,556</u>

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Statement of Activities  
For the Year Ended June 30, 2011

	Unrestricted	Permanently Restricted	Temporarily Restricted	Total
<b>Public Support and Revenues</b>				
Contributions	\$ 93,774	\$ -	\$ -	\$ 93,774
Conference and training income	222,592	-	-	222,592
Special events	28,375	-	-	28,375
Contracts:				
N.C. Division of Social Services	434,328	-	-	434,328
Nurse-Family Partnership	8,333	-	-	8,333
Grants:				
Duke Endowment	506,509	-	-	506,509
Kate B. Reynolds	176,758	-	-	176,758
Pew Charitable Trust	142,582	-	-	142,582
BCBS Foundation	50,000	-	-	50,000
Pope Foundation	40,000	-	-	40,000
Circle of Parents	24,148	-	-	24,148
Other	47,016	-	-	47,016
Membership dues	18,525	-	-	18,525
Interest income	4,233	-	-	4,233
Net assets released from donor restrictions	751	(751)	-	-
Total	<u>1,797,924</u>	<u>(751)</u>	<u>-</u>	<u>1,797,173</u>
<b>Expenses</b>				
Program services	1,382,761	-	-	1,382,761
Fundraising	145,737	-	-	145,737
Management and general	96,753	-	-	96,753
Loss on disposal of fixed assets	517	-	-	517
Total	<u>1,625,768</u>	<u>-</u>	<u>-</u>	<u>1,625,768</u>
Change in net assets	172,156	(751)	-	171,405
Net assets, beginning of year	<u>283,078</u>	<u>751</u>	<u>-</u>	<u>283,829</u>
Net assets, end of year	<u>\$ 455,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,234</u>

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (101,678)	\$ 171,405
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,935	7,811
Loss on disposal of fixed assets	-	517
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	2,076	41,880
Prepaid expenses	(2,919)	7,406
Increase (decrease) in liabilities:		
Accounts payable	2,172	(3,962)
Accrued vacation	1,387	(2,407)
Accrued other expenses	(239)	1,172
Deferred revenue	501,761	(135,226)
Net cash provided by operating activities	406,495	88,596
Cash flows from investing activities:		
Acquisitions of fixed assets	(2,445)	(3,278)
Net cash used in investing activities	(2,445)	(3,278)
Net change in cash and cash equivalents	404,050	85,318
Cash and cash equivalents, beginning of year	510,175	424,857
Cash and cash equivalents, end of year	\$ 914,225	\$ 510,175

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Statement of Functional Expenses  
For the Year Ended June 30, 2012

	Program Services					Support Services			Total Expenses
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 51,656	\$ 545,326	\$ 18,720	\$ 14,643	\$ 630,345	\$ 52,946	\$ 87,997	\$ 140,943	\$ 771,288
Fringe benefits and payroll taxes	13,052	141,404	4,895	3,801	163,152	15,888	14,763	30,651	193,803
Travel	886	24,347	2,172	100	27,505	619	1,336	1,955	29,460
Telephone/Internet	846	8,926	306	239	10,317	247	178	425	10,742
Postage	3,965	2,313	1,342	130	7,750	339	721	1,060	8,810
Supplies	299	3,154	109	84	3,646	388	129	517	4,163
Printing and reproduction costs	136	-	-	391	527	-	2,815	2,815	3,342
Special events expenses	-	-	-	-	-	-	13,219	13,219	13,219
Public awareness	30,920	-	-	-	30,920	1,401	292	1,693	32,613
Training expenses	1,477	45,815	19,153	-	66,445	14	65	79	66,524
Office and equipment expenses	5,248	55,376	1,901	1,479	64,004	2,355	4,556	6,911	70,915
Outside consultants and services	17,572	168,931	4,833	-	191,336	2,515	333	2,848	194,184
Fees and service charges	1,852	-	298	-	2,150	851	2,189	3,040	5,190
Audit	-	-	-	-	-	4,000	-	4,000	4,000
Depreciation	211	3,043	76	60	3,390	228	317	545	3,935
Totals	\$ 128,120	\$ 998,635	\$ 53,805	\$ 20,927	\$ 1,201,487	\$ 81,791	\$ 128,910	\$ 210,701	\$ 1,412,188

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



PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Statement of Functional Expenses  
For the Year Ended June 30, 2011

	Program Services				Support Services			Total Expenses	
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries	\$ 19,492	\$ 575,976	\$ 26,192	\$ 15,709	\$ 637,369	\$	\$ 86,718	\$ 140,752	\$ 778,121
Fringe benefits and payroll taxes	4,513	146,872	7,531	4,200	163,116		23,864	37,923	201,039
Travel	274	20,492	6,498	7	27,271		2,521	3,281	30,552
Telephone/Internet	340	7,265	1,374	256	9,235		628	1,276	10,511
Postage	10,438	1,868	803	204	13,313		424	1,893	15,630
Supplies	174	380	2,206	633	3,393		655	930	4,323
Printing and reproduction costs	-	1,761	-	275	2,036		78	1,525	3,639
Special events expenses	-	-	-	-	-		-	12,264	12,264
Public awareness	46,674	-	-	9	46,683		1,795	1,983	50,461
Training expenses	-	70,691	113,004	163	183,858		-	-	183,858
Office and equipment expenses	1,319	61,057	290	1,287	63,953		1,085	3,753	68,791
Outside consultants and services	79,404	127,527	-	16,413	223,344		21,015	9,375	253,734
Fees and service charges	416	-	2,296	-	2,712		1,554	252	4,518
Depreciation	-	-	-	6,478	6,478		666	666	7,810
<b>Totals</b>	<b>\$ 163,044</b>	<b>\$ 1,013,889</b>	<b>\$ 160,194</b>	<b>\$ 45,634</b>	<b>\$ 1,382,761</b>	<b>\$ 96,753</b>	<b>\$ 145,737</b>	<b>\$ 242,490</b>	<b>\$ 1,625,251</b>

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Notes to Financial Statements  
June 30, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Prevent Child Abuse North Carolina, Inc., (the "Organization") is a statewide, citizen-based, nonprofit corporation dedicated to the prevention of child abuse and neglect in all its forms. The Organization was organized in North Carolina in 1979.

Basis of Presentation

The Organization has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for Not-for-Profit Organizations*. Under this standard, net assets and revenues, expenses, gain and losses are classified based on the existence or absences of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be met by actions of the Organization.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all money market accounts and all certificates of deposit with an original maturity of three months or less to be cash equivalents. The Organization places its cash equivalents with high quality financial institutions. At times, such cash and cash equivalent balances are in excess of the FDIC insurance limit. At June 30, 2012 and 2011, there were cash balances with a financial institution in excess of federally insured limits by \$491,859 and \$9,308, respectively.

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Notes to Financial Statements  
June 30, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments normally will consist of marketable securities and mutual funds that are invested in debt and equity securities. Investments are carried at fair value. The Organization held no investments at June 30, 2012 and 2011.

Fair Values of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair values due to the short maturities of those instruments. The fair values of investments are based on quoted market prices of those or similar investments. None of these financial instruments is held for trading purposes.

Fixed Assets

Fixed asset expenditures having an estimated useful life in excess of one year are capitalized at cost; lesser, immaterial amounts are expensed. It is the Organization's policy that equipment expenditures costing less than \$500 each are expensed. The fair values of donated fixed assets are also capitalized. Depreciation is computed primarily on the straight-line method over the estimated useful lives of the various assets.

Income Tax Status

Prevent Child Abuse North Carolina, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable North Carolina Statute. Accordingly, no provision for federal or state income taxes has been made in the financial statements.

Uncertain Tax Positions

The Association accounts for certain tax positions as required by the Income Tax Topic of the FASB Accounting Standards Codification. This Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management has determined that there was no impact on total liabilities or net assets as a result of the adoption.

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Notes to Financial Statements  
June 30, 2012 and 2011

2. DEPRECIATION EXPENSE

Depreciation expense in the statement of activities is included as follows:

	2012	2011
Program services	\$ 3,390	\$ 6,478
Fundraising	317	666
Management and general	228	666
	\$ 3,935	\$7,810

3. LEASES

The Organization has a lease agreement for its headquarters office space in Raleigh, North Carolina. The lease, as amended, now expires in August 2012. Negotiations are underway for a long-term agreement, but to date nothing has been finalized. Future minimum lease payments under this lease are as follows:

Year Ending June 30,	Annual Amount
2013	\$ 47,675
2014	49,057
2015	50,527
2016	8,462
	\$ 155,721

In addition, the Organization has incurred or committed to several leases relating to office equipment. As of June 30, 2012, the aggregate minimum lease payments under these leases are as follows:

Year Ending June 30,	Annual Amount
2013	\$ 4,763
2014	4,763
2015	4,763
2016	4,763
2017	4,763
	\$ 23,815

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Notes to Financial Statements  
June 30, 2012 and 2011

4. RETIREMENT PLAN

The Organization sponsors a retirement plan established under Internal Revenue Code section 403(b). Employees are eligible to participate once they have met age, length-of-service, and compensation requirements established by the Internal Revenue Service. The Organization can elect to contribute to the employees' accounts on an annual basis. For the years ended June 30, 2012 and 2011, these contributions amounted to \$29,630 and \$38,979, respectively.

5. IN-KIND DONATIONS AND SUPPORT

Donated materials are reflected as contributions in the financial statements at their estimated values at the date of receipt. The value of donated services, with the exception of special events volunteers and Board members, is presented in the financial statements at its estimated fair market value. There were no donated services and materials for the years ended June 30, 2012 and 2011 included in these financial statements. The Organization received a significant amount of donated services from unpaid volunteers who assist in promoting April as Child Abuse Prevention Month, fundraising and special events. The fair value of these donated services cannot be readily determined and, accordingly, no amounts are included in these financial statements.

6. NET ASSETS

The following assets were released from donor restrictions during the years ended June 30:

	2012	2011
Endowment fund donor released gift to unrestricted net assets	\$ -	\$ 751

At June 30, 2011, the Board of Directors voted to designate \$65,000 from unrestricted net assets to be used for future program operations. There was no effect on total net assets or change in net assets. This entire amount was used for program expenses during the year ended June 30, 2012.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 9, 2013, the date which financial statements were available to be issued. No subsequent events have been identified by management.

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
 Schedule of Federal and State Awards  
 For the Year Ended June 30, 2012

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Contract Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards</b>			
Pass-through Awards from North Carolina Division of Social Services:			
Strengthen Child Malpractice Prevention	01105-12	<u>\$ 377,865</u>	<u>\$ 378,415</u>
Subtotal - Division of Social Services		<u>377,865</u>	<u>378,415</u>
Total Federal Awards		<u>377,865</u>	<u>378,415</u>
<b>State Awards</b>			
North Carolina Division of Social Services:			
Children's Trust Fund	01105-12	<u>\$ 11,174</u>	<u>\$ 11,174</u>
Subtotal - Division of Social Services		<u>11,174</u>	<u>11,174</u>
Total State Awards		<u>11,174</u>	<u>11,174</u>
Total Federal and State Awards		<u>\$ 389,039</u>	<u>\$ 389,589</u>

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

PREVENT CHILD ABUSE NORTH CAROLINA, INC.  
Schedule of Federal and State Awards  
For the Year Ended June 30, 2011

Federal/State Grantor/Pass-through Grantor/Program	Contract Number	Receipts	Expenditures
<b>Federal Awards</b>			
Pass-through Awards from North Carolina Division of Social Services:			
Statewide Capacity Building for Child Abuse Prevention	01117-11	\$ 23,469	\$ 23,469
Strengthen Child Malpractice Prevention	01105-11	<u>276,538</u>	<u>286,173</u>
Subtotal - Division of Social Services		<u>300,007</u>	<u>309,642</u>
Total Federal Awards		<u>300,007</u>	<u>309,642</u>
<b>State Awards</b>			
North Carolina Division of Social Services:			
Children's Trust Fund	01117-11	<u>135,936</u>	<u>181,248</u>
Total State Awards		<u>135,936</u>	<u>181,248</u>
Total Federal and State Awards		<u>\$ 435,943</u>	<u>\$ 490,890</u>

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

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**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***

Board of Directors  
Prevent Child Abuse North Carolina, Inc.  
Raleigh, North Carolina

We have audited the financial statements of Prevent Child Abuse North Carolina, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. 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

Management of Prevent Child Abuse North Carolina, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

-Continued-



**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***

**(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 audit committee, management, Board of Directors, and federal (and state) awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2012

*Walker, Sedawie & Walsh LLP*