



Stocks, Smith, Campbell & Dendy, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Lester W. Stocks
Charles S. Smith
Marjorie S. Campbell
Sherry B. Dendy

January 17, 2010

To the Officers and Board of Directors
Lamb Foundation of North Carolina, Inc.

This letter serves as a summary of the procedures we performed in connection with our management consulting services agreement with your organization for the period from July 1, 2008 to June 30, 2009, and our findings and comments resulting from these services.

We reviewed the cash flow procedures of Lamb Foundation that have been established by the officers. These procedures have been designed so as to adequately safeguard the cash assets against inappropriate use, as well as to assure the proper reconciliation of cash balances. It appears that such procedures have been well planned, and that the procedures for documenting, approving and making payment for expenditures have been properly followed with few exceptions.

In our review of these procedures, we looked at cash receipts and disbursements transactions on a test basis. We noted proper documentation on the tested cash receipts to ensure appropriate accounting for funds. We noted proper signatures indicating approval, supporting documentation and appropriate payees on the tested cash disbursements. We noted one voucher that was not in appropriate form nor did it have proper approvals. This payment was not significant in amount. It did not appear to be an inappropriate reimbursement; it was merely processed without following the designated procedures.

Our review of the monthly financial reports and bank reconciliations, as well as inquiries made of the treasurer, indicate that the bank accounts are being reconciled each month on a timely basis. We noted that checks not clearing the bank within a prompt time frame are being voided and reissued, where appropriate.

Once again we will suggest that this organization consider engaging the services of a trained accountant or bookkeeper to assist the treasurer in the ongoing management of these records. This year's records appeared accurate and proper implementation and documentation of internal control procedures was clearly evident. However, since the person holding the position of Treasurer changes every two years, it is prudent to consider having a well-qualified, long-term person to give assurance to the continued competence of the accounting functions. This would also provide the oversight and separation of duties deemed prudent to provide an adequately controlled accounting environment.

As we informed you last year, the FDIC insurance limits have been increased to \$250,000 until December 31, 2013. There are times during the year that your cash balance exceeds

1880 Dale Earnhardt Blvd.
P.O. Box 166, Kannapolis, N.C. 28082-0166
(704) 933-2181 Fax (704) 932-5014

950 Lee-Ann Drive, N.E.
P.O. Box 3020, Concord, N.C. 28025
(704) 795-3500 Fax (704) 795-3501

this insured limit. You should continue to monitor the financial stability of the financial institutions you use, and assess your degree of financial risk exposure in this regard.

The IRS has implemented its new reporting standards for nonprofit organizations. IRS is using the Form 990 reports as a tool for identifying those organizations that have potential for violating tax policies that govern these entities, and to give guidance for strengthening an entity's operating procedures to help guard against misuse of its assets and its tax free status. These policies center, in large part, around the involvement and effectiveness of an entity's board of governance, or board of directors. We encourage you to continue to follow these reporting requirements and use them as a means of strengthening the management and oversight of this organization.

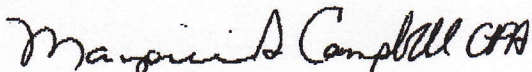
One example of a highlighted policy under this new guidance is the IRS's question in the Form 990 of the procedure used by the organization to review its own tax return prior to filing. Therefore, we encourage you to consider having either the full board, or a subset committee within the board, review the Form 990EZ which we have prepared for you prior to its filing. You will be required to identify such review procedures in next year's tax return, and now is your opportunity to be able to provide an answer other than "there was no review". (Note that this year's return is the short form; next year you will be required to file a longer, much more detailed form if your gross income exceeds \$500,000.)

As a part of our engagement with you, we have prepared the federal tax return, Form 990EZ, for the year ending June 30, 2009 and the compiled financial statement for the year then ended.

We trust that this information will be helpful to you in planning for the future of this organization. We appreciate the opportunity to serve you, and we thank you for the continued work that you do to support the developmentally disabled citizens in our communities.

Please call us if you have any questions regarding the enclosed comments or other issues with which we may be of assistance.

Sincerely,



Marjorie S. Campbell, CPA
Stocks, Smith, Campbell & Dendy, P.A.