

WINGS for kids  
NORTH CHARLESTON, SOUTH CAROLINA

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
JUNE 30, 2011

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September 30, 2011

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
WINGS for kids  
PO Box 71648  
North Charleston, SC 29415

We have audited the accompanying statement of financial position of WINGS for kids (a nonprofit organization) as of June 30, 2011, and the related 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.

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 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 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 WINGS for kids as of June 30, 2011, and the changes in net assets and its 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 30, 2011 on our consideration of WINGS for kids' 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 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wilson & Quirk, LLC*

Charleston, South Carolina

WINGS for kids  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2011

Exhibit "A"

ASSETS

Cash and cash equivalents	\$ 501,698
Unconditional promises to give (net of allowance for uncollectible)	186,300
United Way Association of SC receivable	25,596
Contributions receivable	15,361
Investments – unrestricted	20,213
Investments – temporarily restricted	22,388
Equipment (at cost less accumulated depreciation)	12,219
Endowment investments	<u>49,000</u>
Total Assets	<u>\$ 832,775</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 4,056
Accrued salaries and payroll taxes	<u>28,781</u>
Total liabilities	<u>32,837</u>

Net Assets

Unrestricted	542,250
Temporarily restricted	208,688
Permanently restricted	<u>49,000</u>
Total net assets	<u>799,938</u>

Total Liabilities and Net Assets	<u>\$ 832,775</u>
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See Notes to Financial Statements.

WINGS for kids  
STATEMENT OF ACTIVITIES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit "B"

Unrestricted Net Assets

Support and revenue:

Contributions		\$ 447,202
Government grants		906,436
Special events	\$ 15,395	
Less: Costs of direct benefits	<u>4,863</u>	10,532
Interest		1,766
Consulting fees		<u>28,368</u>
		<u>1,394,304</u>

Net assets released from program restrictions 142,897

Total support and revenue 1,537,201

Expenses

Program services 1,295,056

Supporting Services

Management and general 186,258  
Fund-raising 105,296

Total supporting services 291,554

Total expenses 1,586,610

Change in unrestricted net assets (49,409)

Temporarily Restricted Net Assets

Contributions 176,300  
Investment income 13,384  
Net assets released from restrictions (142,897)

Change in temporarily restricted net assets 46,787

Permanently Restricted Net Assets

00  
Change in net assets (2,622)

Net Assets, Beginning of Year 802,560

Net Assets, End of Year \$ 799,938

See Notes to Financial Statements.

WINGS for kids  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit "C"

Cash Flows from Operating Activities

Changes in net assets	\$ (2,622)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,254
Decrease in prepaid assets	444
Increase in unconditional promises to give	(33,403)
Increase in United Way Assoc. of SC receivable	(25,596)
Increase in contributions receivable	(15,361)
Realized (gains) loss on investments	(1,379)
Unrealized (gains) loss on investments	(12,097)
Decrease in accounts payable	(2,609)
Increase in accrued salaries and payroll taxes	<u>22,168</u>
Net cash used by operating activities	<u>(64,201)</u>

Investing Activities

Purchases of equipment	<u>(10,613)</u>
Net cash used by investing activities	<u>(10,613)</u>

Financing Activities

Decrease in cash	(74,814)
Cash, Beginning of Year	<u>576,512</u>
Cash, End of Year	<u>\$ 501,698</u>

Disclosure of Accounting Policy:

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Wings for kids did not pay interest or taxes for the year ended June 30, 2011.

See Notes to Financial Statements.

WINGS for kids  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – WINGS for kids (the Organization) was incorporated in June 1996 under the laws of South Carolina as a not-for-profit organization. WINGS is an education program that teaches kids how to behave well, make good decisions and build healthy relationships. The organization does this by advocating for the importance of social and emotional education, by helping adults teach these skills and by delivering a program model directly to elementary school kids living in poverty.

Basis of Presentation – 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.

Promises to Give – Contributions and grants are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor or grantor restrictions. Contributions and grants that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other Donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Promises to give are stated net of an allowance for uncollectible of \$16,200 at June 30, 2011.

Cash and Cash Equivalents – The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Equipment and Depreciation – The Organization capitalizes all expenditures for equipment in excess of \$1,000. The provision for depreciation of equipment is provided on the straight-line method over the estimated useful lives of the assets.

Donated Assets – Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

WINGS for kids  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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Note 1. Nature of Activities and Significant Summary of Accounting Policies (Continued)

Donated Services and Materials – Donated services and materials are recorded as support at their estimated fair value at the date of donation. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated Property and Equipment – Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at the time.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any income from certain activities not directly related to the Organization's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation – The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. The Organization transferred \$49,000 over the past five years to the Coastal Community Foundation, Inc. to be invested in perpetuity with the income available for annual distribution. The Foundation has ownership of the fund as well as variance power. The Organization recognizes its interest in the net assets at fair value since it is both the donor and recipient not-for-profit organization.

Subsequent Events – Management has evaluated subsequent events through October 10, 2011, the date the financial statements were available to be issued.

WINGS for kids  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Note 2. Expense Allocation

Program services include various programs and activities provided by the Organization. Management and general expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Organization. For the year ended June 30, 2011, expenses were allocated as follows:

	Program Services	Management and General	Fund- Raising	Total
Personnel	\$ 914,401	\$ 130,623	\$ 75,604	\$ 1,120,628
Supplies	92,781	11,699	2,197	106,677
Occupancy	42,400	4,800	00	47,200
Travel and transportation	25,628	2,725	3,087	31,440
Training	22,827	739	1,192	24,758
Program evaluation	33,469	00	00	33,469
Internet	8,072	4,772	3,030	15,874
Field trip	925	00	00	925
Meeting and conference	5,365	4,268	1,512	11,145
Snacks	64,982	00	00	64,982
Camp and family programs	5,517	00	00	5,517
Accounting	00	10,500	00	10,500
Telephone	4,137	3,798	2,113	10,048
Insurance	20,684	3,288	00	23,972
Marketing	27,483	3,111	00	30,594
Payroll service	4,934	735	00	5,669
Miscellaneous	9,262	866	6,035	16,163
Depreciation	3,126	1,564	1,564	6,254
Retirement	1,038	2,770	2,462	6,270
Lobbyist	00	00	6,500	6,500
Awards	8,025	00	00	8,025
	<u>8,025</u>	<u>00</u>	<u>00</u>	<u>8,025</u>
Total Expenses	<u>\$ 1,295,056</u>	<u>\$ 186,258</u>	<u>\$ 105,296</u>	<u>\$ 1,586,610</u>

Note 3. Donated Services and Materials

The value of donated services and materials included as contributions in the financial statements and in the corresponding program expenses for the years ended June 30, 2011 are as follows:

Program:

Occupancy	\$ 40,604
Snacks	64,832
Work Study	29,562
Supplies	5,675
Marketing	2,000
Internet	<u>1,000</u>
Subtotal	143,673

Management and general:

Occupancy	<u>4,596</u>
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Total	<u>\$ 148,269</u>
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WINGS for kids  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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Note 4. Promises to Give

Unconditional promises to give are due as follows:

Less than one year	\$ 202,500
One to five years	<u>202,500</u>
 Total	 <u>\$ 202,500</u>

Note 5. Restrictions on Net Assets

Permanently restricted net assets consist of funds transferred by the Organization to the Coastal Community Foundation, Inc. Temporarily restricted net assets are available for the following purposes or periods:

Subsequent periods – Investment earnings	\$ 22,388
Subsequent periods – Promises to give	<u>202,500</u>
 Total	 <u>\$ 224,888</u>

Note 6. Investments

Investments are reported in the financial statements at fair value and consist of:

	June 30, 2011	
	Cost	Fair Value
<u>Unrestricted</u>		
Certificate of Deposit - .50%, due November 27, 2011	<u>\$ 20,213</u>	<u>\$ 20,213</u>
 <u>Temporarily Restricted</u>		
Coastal Community Foundation, Inc.	<u>\$ 19,396</u>	<u>\$ 22,388</u>
 <u>Permanent Endowment</u>		
Coastal Community Foundation, Inc.	<u>\$ 49,000</u>	<u>\$ 49,000</u>

WINGS for kids  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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Note 7. Line of Credit

In July 2002, the Organization arranged a \$50,000 renewable and unsecured line of credit with a local bank. This line is intended to be used for short-term cash flow shortages. Monthly interest payments at the bank's prime rate plus 1% are required. During each twelve month renewal period, the balance must be reduced to \$100 or less for 30 consecutive days. For the year ended June 30, 2011, the Organization did not use the line of credit, and there was a zero balance outstanding on the line of credit.

Note 8. Government Grants

Government grants received for the year ended June 30, 2011 consist of:

AmeriCorps Funding	\$ 203,059
ABC Program	11,844
Department of Education	549,033
Charleston County School District	<u>142,500</u>
Total	<u>\$ 906,436</u>

Note 9. Investment Income

The following schedule summarizes the investment return classified as temporarily restricted in the statement of activities:

Investment income (loss)	\$ 2,047
Unrealized gain (loss)	12,097
Fees	<u>(760)</u>
Total	<u>\$ 13,384</u>

WINGS for kids  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1

Federal Grantor/Pass Through Grantor/Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Award Amount</u>	<u>Federal Expenditure</u>
US Department of Education South Carolina Department of Education	84.287	N/A	\$ 549,033	\$ 549,033
Corporation for National & Community Service United Way of South Carolina Commission on National and Community Service	94.006	N/A	203,059	<u>203,059</u>
Total Expenditures of Federal Awards				<u>\$ 752,092</u>

Note A. BASIS OF PRESENTATION

The schedule of expenditure of federal awards includes the federal grant activity of WINGS for kids and is presented on the 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See Notes to Financial Statements.

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September 30, 2011

## 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  
WINGS for kids

We have audited the financial statements of WINGS for kids (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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

On planning and performing our audit, we considered WINGS for kids' 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 WINGS for kids' 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 a 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WINGS for kids' 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 management, Board of Directors, others within the entity, and 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.

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September 30, 2011

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
WINGS for kids

### Compliance

We have audited WINGS for kids' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of WINGS for kids' major federal programs for the year ended June 30, 2011. WINGS for kids' major federal programs are 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 each of its major federal programs is the responsibility of WINGS for kids' management. Our responsibility is to express an opinion on WINGS for kids' 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 WINGS for kids' 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 of WINGS for kids' compliance with those requirements.

In our opinion, WINGS for kids' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of WINGS for kids 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 WINGS for kids' internal control over compliance with the requirements that could have a direct and material effect on a major federal

program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 WINGS for kids' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, 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.

WINGS for kids' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit WINGS for kids' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.

*Wilson & Quirk, LLC*

WINGS for kids  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2011

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SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified	_Yes	<u>X</u> No
Reportable condition(s) identified not considered to be material weaknesses?	_Yes	<u>X</u> No
Noncompliance material to financial statement notes?	_Yes	<u>X</u> No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	_Yes	<u>X</u> No
Reportable condition(s) identified not considered to be material weaknesses?	_Yes	<u>X</u> No
Type of auditors' report issued on compliance for major programs	<u>Unqualified</u>	

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	_Yes	<u>X</u> No
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers
94.006	Americorps

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Audit qualified as low-risk auditee?	_Yes <u>X</u> No

WINGS for kids  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

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SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None