

WINGS for Kids
Report on Financial Statements
Year Ended June 30, 2018

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WINGS for Kids

Table of Contents

Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Reporting Under <i>Government Auditing Standards</i>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14
Reporting Under <i>Uniform Guidance</i>	
Report on Compliance for each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	15 - 16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Schedule of Findings and Questioned Costs	19

Independent Auditors' Report

To the Board of Directors
WINGS for Kids
Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of WINGS for Kids (a non-profit 501(c)(3) organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018 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 solely 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* in considering WINGS for Kids' internal control over financial reporting and compliance.

McCoy Kiddy LLC

Mount Pleasant, South Carolina
September 10, 2018

WINGS for Kids
Statement of Financial Position
June 30, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 3,926,237
Unconditional promises to give, net	111,259
Endowment	54,421
Other receivables	283,364
Total Current Assets	<u>4,375,281</u>

Noncurrent Assets

Assets restricted for permanent endowment	<u>49,000</u>
Total Noncurrent Assets	<u>49,000</u>

Total Assets

\$ 4,424,281

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 120,594
Accrued salaries and payroll taxes	203,974
Total Current Liabilities	<u>324,568</u>

Total Liabilities

324,568

Net Assets

Unrestricted	3,564,019
Temporarily restricted	486,694
Permanently restricted	49,000
Total Net Assets	<u>4,099,713</u>

Total Liabilities and Net Assets

\$ 4,424,281

WINGS for Kids
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 2,008,310	\$ 302,273	\$ -	\$ 2,310,583
Government grants	3,116,629	-	-	3,116,629
In-kind contributions	906,357	-	-	906,357
Interest income	143	-	-	143
Investment income	6,305	6,499	-	12,804
Other income	10,052	-	-	10,052
Net assets released from restrictions	603,777	(603,777)	-	-
Total Support and Revenue	6,651,573	(295,005)	-	6,356,568
Expenses				
Program Expenses	4,855,146	-	-	4,855,146
Supporting Services				
Management and general	617,592	-	-	617,592
Fundraising	301,718	-	-	301,718
Total Supporting Services	919,310	-	-	919,310
Total Expenses	5,774,456	-	-	5,774,456
Change in Net Assets	877,117	(295,005)	-	582,112
Net Assets, Beginning of Year	2,686,902	781,699	49,000	3,517,601
Net Assets, End of Year	\$ 3,564,019	\$ 486,694	\$ 49,000	\$ 4,099,713

WINGS for Kids
Statement of Functional Expenses
Year Ended June 30, 2018

Functional Expenses	Program Services	Management and General	Fundraising	Total
Personnel	\$ 2,616,367	\$ 391,302	\$ 246,100	\$ 3,253,769
Rent and utilities	863,962	43,683	-	907,645
Travel and transportation	355,526	6,611	1,639	363,776
Supplies	237,937	18,880	5,128	261,945
Snacks	139,317	-	-	139,317
Advertising and marketing	54,375	82,754	30,494	167,623
Training	60,013	2,916	760	63,689
Technology	142,232	23,629	3,619	169,480
Miscellaneous	86,469	25,145	11,384	122,998
Insurance	40,746	3,139	-	43,885
Meeting and conference	16,573	3,246	501	20,320
Telephone	15,134	6,657	2,093	23,884
Accounting	7,000	5,300	-	12,300
Program evaluation	63,063	-	-	63,063
Program fees	106,931	-	-	106,931
Expense management	15,761	4,330	-	20,091
Background checks	19,502	-	-	19,502
Field trips	14,238	-	-	14,238
Total Functional Expenses	\$ 4,855,146	\$ 617,592	\$ 301,718	\$ 5,774,456

WINGS for Kids
Statement of Cash Flows
Year Ended June 30, 2018

Cash Flows from Operation Activities:	
Change in net assets	\$ 582,112
Adjustments to reconcile change in net assets to net cash provided by operations:	
Investment income	(12,804)
Bad debt expense	60,000
Change in:	
Unconditional promises to give (net)	406,919
Other receivables	(197,450)
Accounts payable	(10,466)
Accrued salaries and payroll taxes	40,629
	<hr/>
Net cash provided by operating activities	868,940
	<hr/>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	6,305
	<hr/>
Net cash provided by investing activities	6,305
	<hr/>
Net Increase in Cash and Cash Equivalents	875,245
Cash and Cash Equivalents, Beginning of Year	3,050,992
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Cash and Cash Equivalents, End of Year	<u>\$ 3,926,237</u>

WINGS for Kids

Notes to Financial Statements

Note A – Nature of Operations and Summary of Significant Accounting Policies

Nature of Activities

WINGS for Kids (the Organization) equips at-risk children with the social and emotional skills they need to succeed in school, stay in school, and thrive in life. The organization operates afterschool programs at Title I elementary schools in the Southeast; provides professional development workshops to empower others with social emotional learning best practices; and works in partnership with schools and youth serving organizations to scale social emotional learning initiatives across the country.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenditures are recognized when incurred.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not for Profit Entities – Presentation of Financial Statements*. These standards require classification of net assets and changes in net assets as unrestricted, temporarily restricted, and permanently restricted as follows:

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

Temporarily restricted net assets - Net assets subject to explicit or implicit 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 the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (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 in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

All unrestricted, highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents for financial statement purposes.

WINGS for Kids
Notes to Financial Statements

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional. Unconditional promises to give due in subsequent years are reported at present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are to be received. The Organization uses the allowance method to determine uncollectible promises to give when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts.

Other Receivables

Other receivables of \$283,364 include various grant funds due as of June 30, 2018.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. During the year ended June 30, 2018, no additional funds were transferred from the Organization 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.

Property, Plant and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Improvements which materially add to the value of related assets or materially extend the useful life of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on the straight-line method. A summary of depreciable lives follows:

Furniture and equipment	3 - 10 years
Buildings and improvements	10 - 40 years

In-kind Contributions and Expenses

The Organization records various types of in-kind contributions which include donations of snacks, space, transportation and federal work study. These items are recorded at the estimated fair value. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses. The following are the in-kind contributions for the year ended June 30, 2018:

	2018
Snacks	\$ 76,571
Transportation	21,932
Occupancy	807,854
Total In-Kind	<u>\$ 906,357</u>

WINGS for Kids

Notes to Financial Statements

Functional Allocations of Expenses

The cost of providing the various programs and other activities has been summarized on a program basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income generated from unrelated business activities. There is no unrelated business income for the years ended December 31, 2017 and 2016. The Organization qualifies under Section 170(b)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Organizations's evaluation of accounting for uncertainty in income taxes. Management evaluated the Organization's position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance.

Advertising and Marketing Expenses

The Organization reports advertising and marketing costs as incurred. Advertising and marketing totaled \$167,623 for the year ended June 30, 2018.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which will replace numerous requirements in U.S. GAAP, including industry-specific requirements. This guidance provides a five step model to be applied to all contracts with customers, with an underlying principle that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 requires extensive quantitative and qualitative disclosures covering the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosures on significant judgments made when applying the guidance. This guidance is effective for annual reporting periods beginning after December 15, 2019 for nonpublic organizations.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The standard requires use of the modified retrospective transition approach. While the Organization is currently evaluating this standard, given the significant amount of leases the Organization is party to, the Organization expects this standard will have a significant impact on the Organization's financial statements from the recognition of right of use assets and related liabilities. The Organization plans to adopt this standard in the first quarter of fiscal 2019, coinciding with the standard's effective date.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, related to disclosures and presentation of financial statements for not-for-profit entities. The guidance changes how not-for-profit entities present their net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources. This guidance is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization's financial statements.

WINGS for Kids
Notes to Financial Statements

Note B – Concentrations of Risk

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents as it uses sweep accounts to ensure funds are disbursed to multiple bank accounts within federally insured limits.

Note C – Promises to Give

Unconditional promises totaled \$111,259 June 30, 2018, and are expected to be repaid in less than one year. Promises to give are stated net of an allowance for uncollectible promises to give of \$0 at June 30, 2018.

Note D – Fair Value of Financial Assets and Liabilities

The Organization has adopted the provisions of FASB ASC 820 *Fair Value Measurements and Disclosures* for its financial assets and liabilities and is required to provide additional disclosures. FASB ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Prices for certain cash equivalents, such as money market mutual funds and investment securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the year ended June 30, 2018.

There were no changes during the year ended June 30, 2018 to the Organization’s valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level within FASB ASC 820’s fair value hierarchy, the Organization’s financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2018. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Assets (Liabilities) at Fair Value		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets as of June 30, 2017:			
Investments	\$ 103,421	\$ -	\$ -

WINGS for Kids
Notes to Financial Statements

Note E – Line of Credit

The Organization has available a secured revolving line of credit for \$500,000 with Wells Fargo. The line of credit will mature on October 5, 2018. Interest will accrue on the unpaid, outstanding principal balance at the greater of a floating rate equal to the prime rate plus 0.50%. The line of credit has an outstanding balance of \$-0- at June 30, 2018.

Note F – Operating Lease

The Organization entered into a lease for approximately \$1,700 per month for the use of its office space in Atlanta, Georgia in March 2017. The lease became effective on May 1, 2017 and extends until April 30, 2020.

In August 2011, the Organization entered into a five year lease for approximately \$1,550 per month for the use of its office space in Charleston, South Carolina in August 2011. The lease is renewable at the Organization's option for an additional five years. Under the terms of the lease, the Organization can cancel the lease with 120 days written notice. The Organization opted to renew at rate of approximately \$1,700 per month through October 2018.

In December 2015, the Organization entered into a three year lease for approximately \$1,590 per month for an additional office space in Charlotte, North Carolina. The lease is renewable at the Organization's option for an additional three years.

The minimum lease commitments on these leases are as follows:

<u>Year Ending</u>		
June 30, 2019	\$	50,557
June 30, 2020		38,400
June 30, 2021		<u>22,000</u>
Total	\$	<u><u>110,957</u></u>

The total lease expense, including in-kind, for the year ended June 30, 2018 is \$891,422.

Note G – Temporarily Restricted Net Assets

The Organization has recognized revenue related to contributions that are restricted as to purpose or the expiration of time. The following is a detail of the nature of the restrictions on temporarily restricted net assets at June 30, 2018:

Investment earnings on endowment	\$	54,421
Promises to give		110,000
Grants		<u>322,273</u>
Total	\$	<u><u>486,694</u></u>

Released from restrictions for the year ended June 30, 2018 is as follows:

Grants	\$	185,000
Promises to give		<u>418,777</u>
Total	\$	<u><u>603,777</u></u>

WINGS for Kids
Notes to Financial Statements

Note H – Permanently Restricted Net Assets

Permanently restricted net assets consist of funds transferred by the Organization into an Endowment with the Coastal Community Foundation, Inc. The total of these funds in 2018 was \$49,000.

Note I – Commitments and Contingencies

Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the Organization.

Note J – Compensated Absences

WINGS for Kids' policy on compensated absences is as follows: Corporate staff, employed on a twelve-month (12) basis begin new employment with 10 days of paid time off (PTO), accrued annually and will receive an additional two days accrued per year of services. The maximum total accrual an employee may accrue each year is 34 days. The maximum total accrued PTO balance of an employee may not exceed 45 days. For program staff that do not meet the 12-month requirement, PTO is accrued up to 10 days during the contract year. Returning employees may carry over up to two days annually into the next contract year.

Accumulated vacation leave is recorded as an expense and a liability based on the value of PTO upon termination. 12-month employees may receive a maximum of 80 hours of accrued PTO upon termination and non-12 month employees may receive a maximum of 16 hours of accrued PTO upon termination. The value of accumulated vacation leave is estimated to be \$32,187 at June 30, 2018.

Note K – Related Party Transactions

The Organization's board members contributed a total of \$51,065 for the year ended June 30, 2018.

The outstanding balance of promises to give from the Organization's board members was \$50,000 for the year ended June 30, 2018.

Note L – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

Reporting Under *Government Auditing Standards*

**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***

Independent Auditors' Report

To the Board of Directors
WINGS for Kids
Charleston, South Carolina

We have audited 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, the financial statements of WINGS for Kids, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WINGS for Kids' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of WINGS for Kids' internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WINGS for Kids' financial statements are free from 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCoy Kiddy LLC

Mount Pleasant, South Carolina
September 10, 2018

Reporting under *Uniform Guidance*

Report on Compliance for each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors
WINGS for Kids
Charleston, South Carolina

Report on Compliance for Each Major Federal Program

We have audited WINGS for Kids' compliance with the types of compliance requirements described in the *OMB 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, 2018. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of WINGS for Kids' major federal programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of WINGS for Kids' compliance.

Opinion on Each Major Federal Program

In our opinion, WINGS for Kids complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of WINGS for Kids is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WINGS for Kids' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of WINGS for Kids as of and for the year ended June 30, 2018, and have issued our report thereon dated September 10, 2018, which contained an unmodified opinion on those financial statements. 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 the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

McClay Kiddy LLC

Mount Pleasant, South Carolina
September 10, 2018

WINGS for Kids
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal Grantor Pass-through Grantor Program Title	Federal *CFDA Number	Agency or Pass-through Number	Award Amount	Federal Expenditures
U. S. Department of Education South Carolina Department of Education Twenty-First Century Community Learning Centers	84.287	N/A	\$ 484,148	\$ 460,911
U. S. Department of Education Georgia Department of Education Twenty-First Century Community Learning Centers	84.287	N/A	1,460,346	1,281,558
U. S. Department of Education North Carolina Department of Public Instruction Twenty-First Century Community Learning Centers	84.287	N/A	401,994	401,994
Corporation for National & Community Service Commission on National and Community Service AmeriCorps National	94.006	N/A	499,960	499,960
Department of Health and Human Services Office of Juvenile Justice and Delinquency Prevention State of Georgia Department of Human Services Temporary Assistance for Needy Families	93.558	N/A	199,500	<u>178,272</u>
Total expenditures of federal awards				<u>\$ 2,822,695</u>

*Catalog of Federal Domestic Assistance

WINGS for Kids
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of WINGS for Kids under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of WINGS for Kids, it is not intended to and does not present the financial position, changes in net assets, or cash flows of WINGS for Kids.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule of Expenditures of Federal Awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C – Indirect Cost Rate

WINGS for Kids has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

WINGS for Kids
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Programs tested as major programs include:

CFDA Number(s)	Name of Federal Program or Cluster
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None