

WINGS for Kids
Report on Financial Statements
Year Ended June 30, 2019

McCay Kiddy LLC
1156 Bowman Road, Suite 100-A
Mount Pleasant, South Carolina 29464
(843) 881-4477
www.McCayKiddy.com

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 - 15
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>	16 - 17
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	18 - 20
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23



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, which comprise the statement of financial position as of June 30, 2019 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.

Auditors' 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, 2019, 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

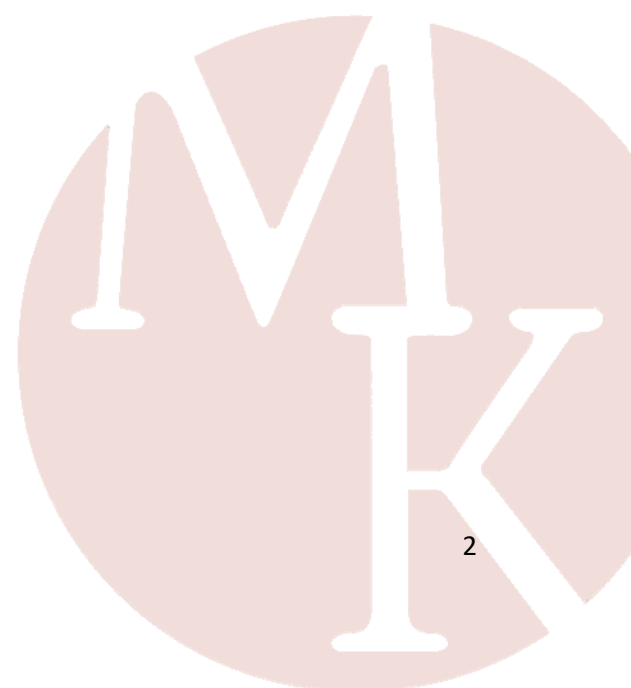
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 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 December 2, 2019 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
December 2, 2019



WINGS for Kids
Statement of Financial Position
June 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$	3,624,122
Current portion of unconditional promises to give, net		226,400
Investments		56,801
Prepaid expenses		12,500
Grants receivable		279,864
		279,864
Total Current Assets		4,199,687

Noncurrent Assets

Investments restricted for permanent endowment		49,000
Unconditional promises to give, net of current portion		216,500
		216,500
Total Noncurrent Assets		265,500

Total Assets

\$ 4,465,187

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	144,538
Accrued salaries and payroll taxes		217,844
		217,844
Total Current Liabilities		362,382

Total Liabilities

362,382

Net Assets

Without donor restrictions		3,459,004
With donor restrictions		643,801
		643,801
Total Net Assets		4,102,805

Total Liabilities and Net Assets

\$ 4,465,187

WINGS for Kids
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,046,066	\$ 655,000	\$ 1,701,066
Grants:			
Federal grants	2,978,434	-	2,978,434
Other grants	273,594	-	273,594
In-kind contributions	879,159	-	879,159
Investment income	6,756	2,380	9,136
Net assets released from restrictions	549,273	(549,273)	-
Total Revenue and Support	5,733,282	108,107	5,841,389
Expenses			
Program expenses	4,849,095	-	4,849,095
Supporting Services			
Management and general	658,872	-	658,872
Fundraising	330,330	-	330,330
Total Supporting Services	989,202	-	989,202
Total Expenses	5,838,297	-	5,838,297
Change in Net Assets	(105,015)	108,107	3,092
Net Assets, Beginning of Year	3,564,019	535,694	4,099,713
Net Assets, End of Year	\$ 3,459,004	\$ 643,801	\$ 4,102,805

See accompanying notes to the financial statements and independent auditors' report.

WINGS for Kids
Statement of Functional Expenses
Year Ended June 30, 2019

Functional Expenses	Program Services	Management and General	Fundraising	Total
Personnel	\$ 2,703,748	\$ 374,376	\$ 279,610	\$ 3,357,734
Rent and utilities	819,166	63,060	-	882,226
Travel and transportation	339,481	30	10,466	349,977
Supplies	221,471	19,046	3,335	243,852
Snacks	124,819	-	-	124,819
Advertising and marketing	460	98,607	26,941	126,008
Training	39,146	9,328	803	49,277
Technology	56,726	10,230	4,035	70,991
Contractual services	191,730	32,326	221	224,277
Miscellaneous	54,217	9,368	1,305	64,890
Insurance	36,494	5,084	-	41,578
Meeting and conference	18,341	3,067	879	22,287
Telephone	15,403	5,431	2,700	23,534
Accounting	-	15,650	-	15,650
Program evaluation	56,202	-	-	56,202
Program fees	131,569	-	-	131,569
Expense management	7,051	13,245	-	20,296
Background checks	20,436	24	35	20,495
Field trips	12,635	-	-	12,635
Total Functional Expenses	\$ 4,849,095	\$ 658,872	\$ 330,330	\$ 5,838,297

WINGS for Kids
Statement of Cash Flows
Year Ended June 30, 2019

Cash Flows from Operation Activities:	
Change in net assets	\$ 3,092
Adjustments to reconcile change in net assets to net cash used in operations:	
Investment income	(9,136)
Change in:	
Unconditional promises to give, net	(331,641)
Prepaid expenses	(12,500)
Other receivables	3,500
Accounts payable	23,944
Accrued salaries and payroll taxes	<u>13,870</u>
Net cash used in operating activities	<u>(308,871)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	<u>6,756</u>
Net cash provided by investing activities	<u>6,756</u>
Net Decrease in Cash and Cash Equivalents	(302,115)
Cash and Cash Equivalents, Beginning of Year	<u>3,926,237</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,624,122</u></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 (U.S. GAAP), 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 U.S. GAAP 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 net assets without donor restrictions and net assets with donor restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

WINGS for Kids
Notes to Financial Statements

Functional Allocation of Expense

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by Management.

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.

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 \$279,864 include various grant funds due as of June 30, 2019.

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, 2019, no additional funds were transferred from the Organization to the Coastal Community Foundation, Inc. (the Foundation) 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

WINGS for Kids Notes to Financial Statements

Endowment Fund

The state of South Carolina follows the State Prudent Management of Institutional Funds Act (SPMIFA). The Board of Directors of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original gifts donated to the permanent endowment, (b) subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as donor restrictions for use or purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

In-kind Contributions and Expenses

The Organization records various types of in-kind contributions which include donations of snacks, space, supplies, and professional services. 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, 2019:

Snacks	\$ 61,626
Occupancy	<u>817,533</u>
Total In-kind	<u><u>\$ 879,159</u></u>

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, 2018 and 2017. 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 Financial Accounting Standards Board (FASB) provides guidance on the Organizations' 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.

WINGS for Kids

Notes to Financial Statements

Advertising and Marketing Expenses

The Organization reports advertising and marketing costs as incurred. Advertising and marketing totaled \$126,008 for the year ended June 30, 2019.

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, 2018 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 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. This guidance is effective for annual reporting periods beginning after December 15, 2019 for nonpublic organizations.

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

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.

WINGS for Kids
Notes to Financial Statements

Note C – Promises to Give

Unconditional promises to give are due as follows as of June 30th:

2020	\$	226,400
2021		216,500
Total	\$	442,900

Promises to give are stated net of an allowance for uncollectible promises to give of \$0 at June 30, 2019.

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, 2019.

There were no changes during the year ended June 30, 2019 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, 2019. 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.

	Fair Value Measurements at June 30, 2019		
	Level 1	Level 2	Level 3
Coastal Community Foundation	\$ 105,801	\$ -	\$ -

WINGS for Kids
Notes to Financial Statements

The Organization has \$3,624,122 of cash including cash held in brokerage accounts, as of June 30, 2019, which are not classified as a Level as prescribed within FASB ASC 820.

Note E – Coastal Community Foundation Endowment

During 2003, the Organization created an endowment fund in which the funds were given to Coastal Community Foundation of South Carolina, Inc. (CCF) a South Carolina non-profit corporation, to manage. CCF holds, manages, and invests the funds, and has variance power over the funds. The primary purpose of this endowment is to provide income to the Organization in support of its mission.

The fund activity and balance are as follows for the year ended June 30, 2019:

Beginning Balance	\$ 103,421
Investment income	6,463
Change in market value	(3,060)
Support fees	<u>(1,023)</u>
Ending Balance	<u><u>\$ 105,801</u></u>

Note F – 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 November 5, 2019. Interest accrues on the unpaid, outstanding principal balance at the greater of a floating rate equal to the prime rate plus 0.25%. The line of credit has no outstanding balance as of June 30, 2019.

Note G – Operating Lease

The Organization has an operating lease for office space in Atlanta, Georgia and Charleston, South Carolina. The minimum lease commitments on these leases are as follows as of June 30th:

2019	\$ 38,400
2020	<u>22,000</u>
Total	<u><u>\$ 60,400</u></u>

The total lease expense, including in-kind, for the year ended June 30, 2019 is \$868,326.

WINGS for Kids
Notes to Financial Statements

Note H – Net Assets with Donor Restrictions

The Organization’s net assets with donor restrictions are restricted for the following purposes at June 30, 2019:

Subject to Time Restrictions	
Promises to give	\$ 433,000
Grants	<u>105,000</u>
	<u>538,000</u>
Subject to Purpose Restrictions	
Investments restricted for permanent endowment	\$ 49,000
Investment earnings on endowment	<u>56,801</u>
	<u>105,801</u>
Total	<u><u>\$ 643,801</u></u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors. Net assets released from donor restrictions for the year ended June 30, 2019 are as follows:

Subject to Time Restrictions	
Grants	\$ 432,273
Promises to give	<u>117,000</u>
Total	<u><u>\$ 549,273</u></u>

Note I – Compensated Absences

The Organization’s 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 \$34,554 at June 30, 2019.

Note J – Related Party Transactions

The Organization’s board members contributed a total of \$187,350 for the year ended June 30, 2019.

WINGS for Kids
Notes to Financial Statements

Note K – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable to the timing of support and contributions. To manage liquidity, the Organization evaluates cash on a monthly basis as part of the monthly detail review of the internal financial statements, and estimates cash needs based on budgeted and current expenses. The Organization aims to have four months of cash available on-hand. Further, the Organization maintains a line of credit of \$500,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note F for further description of this line of credit.

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	\$ 3,624,122
Unconditional promises to give	442,900
Investments	105,801
Grants receivable	<u>279,864</u>
 Total Financial Assets	 4,452,687
 Less amounts not available to be used within one year:	
Net assets with donor restrictions	(643,801)
Add back: Net assets with purpose or time restrictions to be met in less than a year	<u>321,500</u>
 Total Amounts Not Available to be Used Within One Year	 <u>(322,301)</u>
 Total Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 <u><u>\$ 4,130,386</u></u>

Note L – Commitments and Contingencies

Effective January 11, 2019, the Organization entered into an agreement with Discovery Education (DE), the global leader in standards-aligned digital curriculum resources, engaging content, and professional learning for K-12 classrooms, to create an educator facing video series including a model classroom experience for educators, modeled after a virtual fieldtrip, SME expert videos, and educator training videos all bundled with educator guides and classroom content and providing other educational services. The agreement terminates on June 30, 2022 and the Organization has committed \$1,600,000 to be paid to DE over life of the project. The Organization may opt out of the agreement no later than February 1, 2020, and is committed to pay \$547,000 through this date for services to be rendered during the year ended June 30, 2020.

WINGS for Kids
Notes to Financial Statements

Note M – Subsequent Events

Management has evaluated subsequent events through the date which the financial statements were available to be issued. Based upon this evaluation, there were no material adjustments to these financial statements.

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, 2019, 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 December 2, 2019.

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
December 2, 2019



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, 2019. 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.

Auditors' 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, 2019.

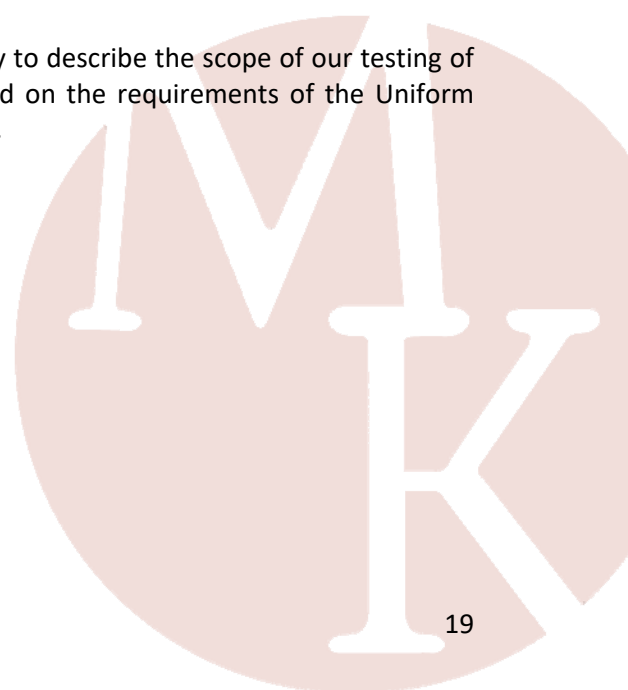
Report on Internal Control over Compliance

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, 2019, and have issued our report thereon dated December 2, 2019, 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
December 2, 2019



WINGS for Kids
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor Pass-through Grantor Program Title	Federal *CFDA Number	Federal Expenditures
U. S. Department of Education South Carolina Department of Education Twenty-First Century Community Learning Centers	84.287	\$ 441,728
U. S. Department of Education Georgia Department of Education Twenty-First Century Community Learning Centers	84.287	1,408,094
U. S. Department of Education North Carolina Department of Public Instruction Twenty-First Century Community Learning Centers	84.287	375,297
Corporation for National & Community Service Commission on National and Community Service AmeriCorps National	94.006	524,958
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	<u>228,357</u>
Total expenditures of federal awards		<u>\$ 2,978,434</u>

*Catalog of Federal Domestic Assistance

WINGS for Kids
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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, 2019. 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, 2019

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