

WINGS for kids
Charleston, South Carolina
Report on Financial Statements
Year Ended June 30, 2014

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WINGS for kids
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of WINGS for kids (a non-profit 501(c)(3) organization), as of June 30, 2014 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, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity 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 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. The Schedule of Expenditures of Federal Awards 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 other 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McCay, Kiddy & Associates, LLC

Mount Pleasant, South Carolina

October 31, 2014

WINGS for kids
Statement of Financial Position
June 30, 2014

Assets

Cash	\$ 2,049,929
Unconditional promises to give (net of allowance for uncollectibles)	412,299
Other receivables	123,117
Investments	88,496
Property and equipment (at cost less accumulated depreciation)	<u>12,451</u>

Total assets \$ 2,686,292

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 29,044
Accrued salaries and payroll taxes	<u>73,608</u>
Total liabilities	<u><u>102,652</u></u>

Net Assets

Unrestricted	1,258,567
Temporarily restricted	1,276,073
Permanently restricted	<u>49,000</u>

Total net assets 2,583,640

Total liabilities and net assets \$ 2,686,292

WINGS for kids
Statement of Activities
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contributions	\$ 935,287	\$ 1,721,219	\$ -	\$ 2,656,506
Government grants	1,220,102	437,500	-	1,657,602
In-kind contributions	521,124	-	-	521,124
Interest income	763	-	-	763
Investment income	1,307	11,985	-	13,292
Total support and revenue	<u>2,678,583</u>	<u>2,170,704</u>	<u>-</u>	<u>4,849,287</u>
Net assets released from restrictions	<u>1,141,222</u>	<u>(1,141,222)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue less Releases	<u>3,819,805</u>	<u>1,029,482</u>	<u>-</u>	<u>4,849,287</u>
Expenses				
Program Expenses	<u>3,022,555</u>	<u>-</u>	<u>-</u>	<u>3,022,555</u>
Supporting Services				
Management and general	492,595	-	-	492,595
Fundraising	<u>90,846</u>	<u>-</u>	<u>-</u>	<u>90,846</u>
Total supporting service	<u>583,441</u>	<u>-</u>	<u>-</u>	<u>583,441</u>
Total Expenses	<u>3,605,996</u>	<u>-</u>	<u>-</u>	<u>3,605,996</u>
Change in Net Assets	213,809	1,029,482	-	1,243,291
Net Assets, beginning	<u>1,044,758</u>	<u>246,591</u>	<u>49,000</u>	<u>1,340,349</u>
Net Assets, ending	<u>\$ 1,258,567</u>	<u>\$ 1,276,073</u>	<u>\$ 49,000</u>	<u>\$ 2,583,640</u>

WINGS for kids
Statement of Functional Expenses
Year Ended June 30, 2014

Functional Expenses	AmeriCorps	21st CCLC	CDBG	Social Innovation Fund	Statement of Need	Afterschool Programs	Program Services	Management and General	Fundraising	Total
Personnel	\$ 462,778	\$ 516,646	\$ 3,000	\$ 540,966	\$ 54,262	\$ 256,657	\$ 1,834,309	\$ 273,521	\$ 73,389	\$ 2,181,219
Rent and utilities	-	-	-	-	-	352,541	352,541	45,027	-	397,568
Travel and transportation	-	15,215	12,000	30,815	1,072	86,987	146,089	6,517	3,977	156,583
Supplies	6,900	35,437	-	32,914	18,482	45,433	139,166	41,534	1,737	182,437
Snacks	-	-	-	5,910	1,015	112,488	119,413	-	-	119,413
Advertising and marketing	-	-	-	12,548	-	9,376	21,924	29,454	2,103	53,481
Training	-	8,259	-	3,707	243	32,719	44,928	7,040	761	52,729
Technology	-	17,896	-	44,454	618	14,793	77,761	20,074	1,625	99,460
Miscellaneous	-	7,097	-	24,605	752	11,404	43,858	17,548	1,820	63,226
Insurance	-	20,494	-	-	5,348	15,171	41,013	9,024	1,044	51,081
Meeting and conference	-	-	-	2,764	27	7,997	10,788	5,288	1,623	17,699
Telephone	-	5,088	-	-	-	9,612	14,700	7,683	1,722	24,105
Accounting	-	-	-	-	-	-	-	15,950	-	15,950
Program evaluation	-	-	-	57,211	-	19,825	77,036	-	-	77,036
Program fees	-	36,883	-	15,233	-	2,075	54,191	-	-	54,191
Expense management	-	459	-	14,977	-	934	16,370	1,123	-	17,493
Background checks	-	2,984	-	824	-	6,975	10,783	402	-	11,185
Retirement	2,154	772	-	111	-	3,207	6,244	6,863	1,045	14,152
Field trips	-	904	-	376	-	5,161	6,441	-	-	6,441
Bad debt expense	-	-	-	-	-	5,000	5,000	-	-	5,000
Depreciation	-	-	-	-	-	-	-	5,547	-	5,547
Total functional expenses	\$ 471,832	\$ 668,134	\$ 15,000	\$ 787,415	\$ 81,819	\$ 998,355	\$ 3,022,555	\$ 492,595	\$ 90,846	\$ 3,605,996

WINGS for kids
Statement of Cash Flows
Year Ended June 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ 1,243,291
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	5,547
Net unrealized gains on investments	(10,026)
Change in:	
Unconditional promises to give	(192,849)
Other receivables	(29,788)
Accounts payable	6,458
Accrued expenses	<u>22,747</u>
Net cash provided by operating activities	<u>1,045,380</u>
Cash flows from investing activities:	
Purchase of investments	(2,330)
Purchase of property, plant and equipment	<u>(8,733)</u>
Net cash used in investing activities	<u>(11,063)</u>
Increase in cash	1,034,317
Cash and cash equivalents, beginning	<u>1,015,612</u>
Cash and cash equivalents, ending	<u><u>\$ 2,049,929</u></u>
Supplemental Information:	
Interest paid	<u><u>\$ -</u></u>

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

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”) was incorporated in June 1996 under the laws of South Carolina as a non-profit organization whose purpose is to teach kids how to behave well, make good decisions and build healthy relationships. The Organization does this by weaving a social and emotional curriculum into an after school program for elementary school kids living in poverty.

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 has adopted FASB ASC 958 “Financial Statements of Not for Profit Organizations”. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to 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

For purposes of the Statement of Cash Flows, WINGS for kids considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 \$123,117 include various grant funds due as of June 30, 2014.

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. The Organization transferred \$49,000 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 receives donations of snacks and space which are recorded in operating income and the applicable functional expense. These items are recorded at the estimated fair market values.

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 a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, unless income is generated from unrelated business activities. There is no unrelated business income for 2014. However, like all organizations, this organization is subject to U.S. federal and state income tax examinations for 2011, 2012 and 2013 tax years. The Organization qualifies for the charitable contribution deduction under Section 170(b)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

WINGS for kids
Notes to Financial Statements

Advertising and Marketing Expenses

The Organization reports advertising and marketing costs as incurred. Advertising and marketing totaled \$53,481 for the year ended June 30, 2014.

Note B – Promises to Give

Unconditional promises to give are due as follows:

Less than one year	<u>\$</u> <u>412,299</u>
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Promises to give are stated net of an allowance for uncollectible promises to give of \$11,050 at June 30, 2014.

Note C - Investments

Investments in marketable securities are measured at fair value in the statement of financial position. Investment income and realized and unrealized gains and losses on investments are included in the change in net assets. Investments consist of the following at June 30, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Coastal Community Foundation	<u>\$</u> <u>69,645</u>	<u>\$</u> <u>88,496</u>

Investment return is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur. Investment return is as follows for the year ended June 30, 2014:

Interest and dividends	\$ 4,100
Realized and unrealized gains and losses	10,026
Investment fees	<u>(834)</u>
Total investment income	<u>\$</u> <u>13,292</u>

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.

WINGS for kids
Notes to Financial Statements

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, 2014.

There were no changes during the year ended June 30, 2014 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables 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, 2014. 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, 2014:			
Investments	\$ 88,496	\$ -	\$ -

Note E – Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

Furniture and equipment	\$	13,842
Leasehold improvements		13,684
Subtotal		27,526
Less: Accumulated depreciation		(15,075)
Property and equipment, net	\$	12,451

Depreciation expense totaled \$5,547 for the year ended June 30, 2014.

Note F - Line of Credit

The Organization has available a secured revolving line of credit for \$200,000 with South Carolina Bank and Trust. The line of credit expires May 8, 2015, unless extended. Minimum monthly payments are computed based on the average daily balance, including interest at the bank's prime rate plus 1%. The line of credit has an outstanding balance of \$- at June 30, 2014.

Note G – Operating Lease

The Organization entered into a five year lease for approximately \$1,500 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.

WINGS for kids
Notes to Financial Statements

In March 2014, the Organization entered into a new three year lease for approximately \$1,300 per month for the use of office space in Atlanta, Georgia.

In April 2014, the Organization entered into a six year lease for approximately \$2,100 per month for an additional office space in Charleston, South Carolina. Under the terms of the lease, the Organization can cancel the lease any time after 48 months with 6 months written notice.

The minimum lease commitments on these leases are as follows:

<u>Year Ending</u>		
June 30, 2015	\$	59,894
June 30, 2016		62,046
June 30, 2017		43,501
June 30, 2018		29,201
June 30, 2019 and thereafter		<u>86,227</u>
Total	<u>\$</u>	<u>280,869</u>

The total lease expense for the year ended June 30, 2014 is \$389,111.

Note H – 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, 2014:

Investment earnings on endowment	\$	11,985
Promises to give		408,719
Social Innovation Fund		<u>1,750,000</u>
Total	<u>\$</u>	<u>2,170,704</u>

Released from restrictions for the year ended June 30, 2014 is as follows:

Promises to give	\$	210,500
Social Innovation Fund		<u>930,722</u>
Total	<u>\$</u>	<u>1,141,222</u>

Note I – 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 2014 was \$49,000.

WINGS for kids
Notes to Financial Statements

Note J – Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014, the Organizations had \$29,334 in excess of FDIC insured limits.

Note K – 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 L – Subsequent Events

Management has evaluated subsequent events through October 31, 2014, the date which 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, 2014, 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 October 31, 2014.

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.

McCay, Kiddy & Associates, LLC

Mount Pleasant, South Carolina
October 31, 2014

Reporting under *OMB Circular A-133*



**Report on Compliance with requirements applicable
To each major program and on Internal Control over
Compliance in accordance with *OMB Circular A-133***

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 *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, 2014. 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 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 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, 2014.

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 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of WINGS for kids' as of and for the year ended June 30, 2014, and have issued our report thereon dated June 30, 2014, 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 OMB Circular A-133 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.

McCay, Kiddy & Associates, LLC

Mount Pleasant, South Carolina
October 31, 2014

WINGS for kids
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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	\$ 699,618	\$ 692,151
Corporation for National & Community Service				
Commissions on National and Community Service				
AmeriCorps National**	94.006	N/A	496,647	496,647
Corporation for Nation & Community Service				
The Edna McConnell Clark Foundation				
Social Innovation Fund**	94.019	N/A	437,500	437,500
U. S. Department of Housing and Urban Development				
City of North Charleston				
Community Development Block Grants/Entitlement Grants	14.218	N/A	15,000	15,000
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	100,000	<u>100,000</u>
Total expenditures of federal awards				<u>\$ 1,741,298</u>

*Catalog of Federal Domestic Assistance

**Major Program

WINGS for kids
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

Note A – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal contracts and 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 basic financial statements.

WINGS for kids
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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 Circular A-133, Section .510 (a)?	No

Programs tested as major programs include:

CFDA Number(s)	Name of Federal Program or Cluster
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94.019	Social Innovation Fund
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	Yes
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Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None