

# **PEARLS FOR TEEN GIRLS, INC.**

## **FINANCIAL STATEMENTS**

Year Ended December 31, 2010  
(With Comparative Financial Information  
for the Year Ended December 31, 2009)

**PEARLS FOR TEEN GIRLS, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
PEARLS For Teen Girls, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying balance sheet of PEARLS For Teen Girls, Inc. (PEARLS) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the PEARLS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2009 summarized comparative information has been derived from the PEARLS For Teen Girls, Inc. financial statements as of December 31, 2009, which were audited by other auditors whose report dated June 22, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PEARLS For Teen Girls, Inc. as of December 31, 2010, 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.

Board of Directors  
PEARLS For Teen Girls, Inc.  
Milwaukee, Wisconsin

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011, on our consideration of PEARLS For Teen Girls, Inc.'s internal control over financial reporting and 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of PEARLS For Teen Girls, Inc. taken as a whole. The accompanying schedule of expenditures of federal and state awards as required by the *Department of Health Services Audit Guide* issued by the State of Wisconsin, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Schenck & Co".

Certified Public Accountants  
Milwaukee, Wisconsin  
April 27, 2011

PEARLS FOR TEEN GIRLS, INC.

BALANCE SHEET

December 31, 2010

(With Comparative Financial Information as of December 31, 2009)

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 512,853	\$ 427,981
Receivables:		
Grants	19,204	55,840
Accounts	10,400	8,575
Unconditional promises to give	49,859	43,783
Prepaid expenses	2,964	3,901
Total current assets	<u>595,280</u>	<u>540,080</u>
Property and equipment, net	<u>9,288</u>	<u>2,787</u>
Security deposit	<u>2,604</u>	<u>2,004</u>
Total assets	<u>\$ 607,172</u>	<u>\$ 544,871</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,896	\$ 13,744
Accrued payroll	<u>8,771</u>	<u>5,287</u>
Total current liabilities	<u>23,667</u>	<u>19,031</u>
NET ASSETS		
Unrestricted		
Operating	434,672	336,387
Board Designated	10,000	10,000
Temporarily restricted	<u>138,833</u>	<u>179,453</u>
Total net assets	<u>583,505</u>	<u>525,840</u>
Total liabilities and net assets	<u>\$ 607,172</u>	<u>\$ 544,871</u>

See accompanying notes to financial statements.

PEARLS FOR TEEN GIRLS, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

(With Comparative Financial Information for Year Ended December 31, 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue</u>				
Grants and contributions	\$ 454,993	\$ 121,778	\$ 576,771	\$ 544,246
Safe and Sound	-	-	-	40,000
Community Advocates	100,000	-	100,000	110,000
Fighting Back	40,000	-	40,000	37,679
City of Milwaukee CDBG	40,000	-	40,000	54,409
Medical College of Wisconsin	33,489	-	33,489	68,294
Program Fees	6,570	-	6,570	8,917
Partner Fees	20,575	-	20,575	13,050
Product Sales	316	-	316	48
Special Events Contributions	33,925	-	33,925	17,595
Special Events In-kind Income	9,300	-	9,300	7,947
Less: Special Events Expenses	(3,098)	-	(3,098)	(1,802)
Less: Special Events In-kind Expenses	(9,300)	-	(9,300)	(7,947)
Donated Goods	5,163	-	5,163	6,520
Interest Income	1,219	-	1,219	847
Other Income	-	-	-	-
Net Assets Released From Restrictions	162,398	(162,398)	-	-
<b>Total Revenue</b>	<b>895,550</b>	<b>(40,620)</b>	<b>854,930</b>	<b>899,803</b>
<u>Expenses</u>				
Program services	667,458	-	667,458	556,052
General and administrative	82,579	-	82,579	83,448
Fundraising	47,228	-	47,228	39,497
<b>Total expenses</b>	<b>797,265</b>	<b>-</b>	<b>797,265</b>	<b>678,997</b>
Change in net assets	98,285	(40,620)	57,665	220,806
<u>Net assets</u>				
Balance, beginning of year	346,387	179,453	525,840	305,034
<b>Balance, end of year</b>	<b>\$ 444,672</b>	<b>\$ 138,833</b>	<b>\$ 583,505</b>	<b>\$ 525,840</b>

See accompanying notes to financial statements.

PEARLS FOR TEEN GIRLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

(With Comparative Financial Information for Year Ended December 31, 2009)

	2010				2009
	Program	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 286,331	\$ 37,278	\$ 31,840	\$ 355,449	\$ 303,444
Teen facilitators - wages	20,551	-	-	20,551	23,962
Employee benefits	37,750	2,199	2,639	42,587	44,609
Payroll taxes	24,670	3,212	2,743	30,625	27,590
Consulting fees	90,056	-	10,006	100,062	74,841
Accounting fees	15,008	8,442	-	23,450	23,000
Supplies	11,691	-	-	11,691	10,295
Program expenses	49,257	-	-	49,257	36,136
Telephone	4,988	1,663	-	6,650	6,483
Internet service	1,378	459	-	1,837	2,346
Postage and shipping	3,927	436	-	4,363	3,370
Printing and publications	9,560	1,062	-	10,622	6,808
Dues and subscriptions	-	3,983	-	3,983	2,963
Rent expense	25,910	8,637	-	34,546	29,562
Depreciation expense	2,536	845	-	3,381	3,334
Utilities	4,862	1,621	-	6,482	3,489
Repair and maintenance expense	1,469	490	-	1,958	1,672
Travel and lodging	24,113	4,593	-	28,706	30,133
Food expense	19,886	-	-	19,886	19,529
Website	5,729	637	-	6,365	6,692
Insurance	4,628	244	-	4,872	5,023
Volunteer expense	413	-	-	413	775
Professional development	5,857	1,850	-	7,707	37
Scholarships	9,400	-	-	9,400	2,900
In-kind goods	5,163	-	-	5,163	6,520
Other expenses	-	1,894	-	1,894	1,312
Legal fees	1,317	-	-	1,317	-
Equipment	1,012	3,036	-	4,048	2,172
	<u>\$ 667,458</u>	<u>\$ 82,579</u>	<u>\$ 47,228</u>	<u>\$ 797,265</u>	<u>\$ 678,997</u>

See accompanying notes to financial statements.

PEARLS FOR TEEN GIRLS, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

(With Comparative Financial Information for Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 57,665	\$ 220,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,381	3,334
Changes in operating assets and liabilities:		
Grants receivable	36,636	1,179
Accounts receivable	(1,825)	5,403
Pledges receivable	(6,076)	(12,498)
Prepaid expenses and security deposit	337	(2,056)
Accounts payable	1,152	(3,395)
Accrued payroll	3,484	(11,312)
Net cash provided by operating activities	<u>94,754</u>	<u>201,461</u>
<u>Cash flows from financing activities</u>		
Purchase of property and equipment	<u>(9,882)</u>	<u>-</u>
Net cash used in financing activities	<u>(9,882)</u>	<u>-</u>
Net increase in cash and cash equivalents	84,872	201,461
Cash and cash equivalents, beginning of year	<u>427,981</u>	<u>226,520</u>
Cash and cash equivalents, end of year	<u>\$ 512,853</u>	<u>\$ 427,981</u>

See accompanying notes to financial statements.

PEARLS FOR TEEN GIRLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

Note 1 – Summary of Significant Accounting Policies

A. Organization

PEARLS For Teen Girls, Inc. (“PEARLS”) is committed to being the community’s signature program for maximizing girls’ self development. True girl/adult partnerships result in building and living PEARLS attributes: Personal Responsibility, Empathy, Awareness, Respect, Leadership, and Support.

B. Basis of accounting

The financial statements of PEARLS have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

C. Basis of presentation

PEARLS is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by PEARLS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of PEARLS.

Permanently restricted net assets - net assets resulting from contributions whose use by PEARLS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of PEARLS.

PEARLS had no permanently restricted net assets at December 31, 2010. At December 31, 2010, PEARLS had \$121,598 of temporarily time restricted net assets and \$17,235 of temporarily purpose-restricted net assets.

D. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

PEARLS FOR TEEN GIRLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

Note 1 – Summary of Significant Accounting Policies, continued

E. Cash and cash equivalents

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

F. Allowance for uncollectible accounts

Accounts receivable are stated at the amount PEARLS expects to collect from outstanding balances. Management believes all receivables will be collected in accordance with the terms of the agreements. Therefore, no allowance for uncollectible accounts is necessary at year end.

G. Property and equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Computers and equipment are capitalized using a useful life of 3-5 years and leasehold improvements are capitalized over the length of the lease. PEARLS capitalizes assets with an original cost of \$1,000 or greater.

H. Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

I. Support and revenue recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

PEARLS FOR TEEN GIRLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

Note 1 – Summary of Significant Accounting Policies, continued

J. Income tax status

PEARLS For Teen Girls, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. PEARLS is also exempt from Wisconsin income tax and, therefore, has made no provision for income taxes.

Management of PEARLS considers the likelihood of changes by taxing authorities in its filed income tax returns and may recognize a liability for or disclose any potential significant changes that management believes are more likely than not to occur, including changes to PEARLS' status as a not-for-profit entity. Management believes PEARLS met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. Therefore, no provision for income taxes has been provided in these financial statements. PEARLS' income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

K. Comparative financial information

The financial information shown for 2009 in the accompanying financial statements is included to provide a basis for comparison with 2010 and presents summarized totals only.

L. Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements with no change in previously reported net assets or changes in net assets.

M. Fair value of financial instruments

Based on PEARLS' estimates, the carrying amounts of cash and cash equivalents, investments, unconditional promises to give, grants receivable, other receivables, prepaid expenses, accounts payable, accrued expenses, and bank line of credit, approximated fair value as of December 31, 2010 and 2009.

N. Subsequent events

PEARLS has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 27, 2011, the date on which the financial statements were available to be issued.

PEARLS FOR TEEN GIRLS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2010

Note 2 – Concentrations of Risk

PEARLS maintains cash accounts at different financial institutions. Deposits with the financial institutions are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 per financial institution. From time to time PEARLS had cash balances that exceeded these limits. As of December 31, 2010 PEARLS's cash deposit balances did not exceed these federally insured limits.

Note 3 – Grants Receivable

Grants receivable consist of the following amounts as of December 31, 2010:

	2010
Brighter Futures	\$ 4,135
City of Milwaukee - Community Development Block Grant	4,517
Fighting Back	10,552
 Total	 \$ 19,204

Note 4 – Unconditional promises to give

Unconditional promises to give at December 31, 2010 are expected to be collected within one year of the balance sheet date. Unconditional promises to give for the year ended December 31, 2010 is \$49,859.

Note 5 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2010:

	2010
Computer software	\$ 18,517
Leasehold improvements	9,882
Total cost	28,399
Less: Accumulated depreciation	(19,111)
 Net property and equipment	 \$ 9,288

Depreciation expense for the year ended December 31, 2010 was \$3,381.

PEARLS FOR TEEN GIRLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

Note 6 – Restrictions on Net Assets

Temporarily restricted net assets consist of the following amounts as of December 31, 2010:

	2010
Foundations and individuals	\$ 121,598
Scholarship fund donations	17,235
Total	\$ 138,833

Board designated net assets consisted of \$10,000 at December 31, 2010 that the board has designated for scholarships.

Note 7 – Donated Goods and In-kind Income

During 2010, PEARLS received various donated items totaling \$14,463.

Note 8 – Line of Credit

PEARLS has a \$30,000 line of credit bearing an interest rate of LIBOR + 3% due on October 13, 2013. No amount was drawn on the line at December 31, 2010.

Note 9 – Operating Lease

PEARLS leases office space at 2100 N. Palmer Street under a three year lease which expires June 30, 2012 with the option to extend the lease until June 30, 2013. Lease payments for the next 18 months are as follows:

Year ending December 31,	Amount
2011	\$ 39,583
2012	20,484
	\$ 60,067

Note 10 – Contingencies

PEARLS participates in federal and state assistance grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, PEARLS' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management expects such amounts, if any to be immaterial.

## SUPPLEMENTAL INFORMATION

ADDITIONAL INDEPENDENT AUDITORS'  
REPORT FOR FINANCIAL STATEMENTS



**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 AND THE  
WISCONSIN DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE**

To the Board of Directors  
PEARLS For Teen Girls, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying balance sheet of PEARLS For Teen Girls, Inc. as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended and have issued our report thereon dated April 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Wisconsin Department of Health Services Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the PEARLS For Teen Girls, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of PEARLS For Teen Girls, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PEARLS For Teen Girls, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PEARLS For Teen Girls, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and Wisconsin Department of Health Services Audit Guide*.

We noted certain matters that we reported to management of PEARLS For Teen Girls, Inc. in a separate letter dated April 27, 2011.

This report is intended solely for the information and use of the Board of Directors, management and contracting agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schenck & Co.".

Certified Public Accountants  
Milwaukee, Wisconsin  
April 27, 2011

## FEDERAL AND STATE AWARDS

PEARLS FOR TEEN GIRLS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended December 31, 2010

Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA/ State ID Number	Pass-through Entity Identifying Number	Expenditures
<u>FEDERAL AWARDS</u>			
U.S. Department of Health and Family Services			
State of Wisconsin Department of Health Services			
Community Advocates			
Brighter Futures Initiative	93.959	541007	\$ 42,190
Brighter Futures Initiative	93.558	541007	<u>15,740</u>
			<u>57,930</u>
Milwaukee County Department of Human Services			
Jewish Community Services - Fighting Back			
ATODA Prevention	93.959		<u>40,000</u>
Total U.S. Department of Health and Family Services			<u>97,930</u>
U.S. Department of Housing and Urban Development			
City of Milwaukee Department of Administration			
Community Development Block Grant	14.218		<u>40,000</u>
TOTAL FEDERAL AWARDS			<u>\$ 137,930</u>
<u>STATE AWARDS</u>			
State of Wisconsin Department of Health Services			
Community Advocates			
Brighter Futures Initiative - State GPR	N/A	541007	<u>\$ 42,070</u>
TOTAL STATE AWARDS			<u>\$ 42,070</u>

See notes to Schedule of Expenditures of Federal and State Awards.

PEARLS FOR TEEN GIRLS, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended December 31, 2010

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal grant activity of PEARLS For Teen Girls, Inc. and is presented on the accrual basis of accounting. There were no state grants awarded to PEARLS for Teen Girls, Inc. for 2010. The information in this schedule is presented in accordance with the requirements of the *Wisconsin Department of Health Services Audit Guide*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PEARLS FOR TEEN GIRLS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 December 31, 2010

**Section I - Summary of Auditors' Results**

Basic Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to the financial statements noted?	No

**Section II - Financial Statement Findings**

There were no financial statement findings in the current year.

**Section III – Wisconsin Department of Health Services Audit Guide Findings**

There were no Wisconsin Department of Health Services Audit Guide findings in the current year.

**Section IV – Other Issues**

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? \_\_\_\_\_ Yes        X   No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Wisconsin Department of Health Services Audit Guide*:

Department of Health Services \_\_\_\_\_ Yes        X   No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?   X   Yes      \_\_\_\_\_ No

Name and signature of shareholder

  
 \_\_\_\_\_  
 Karin Gale, CPA

Date of report

April 27, 2011

PEARLS FOR TEEN GIRLS, INC.  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
December 31, 2010

**Finding No. 2009-1** – Adjusting Journal Entries

This finding has been satisfactorily addressed. There were no audit adjusting journal entries in the current year.