

**WORKING IN THE SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

# WORKING IN THE SCHOOLS, INC.

## FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors of  
Working in the Schools, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Working in the Schools, Inc. (WITS), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 in the first paragraph present fairly, in all material respects, the financial position of Working in the Schools, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, cash flows and functional expenses for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Legacy Professionals LLP*

Chicago, Illinois

September 16, 2016

**WORKING IN THE SCHOOLS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 141,127	\$ 306,735
Pledges receivable - net	332,950	200,175
Prepaid expenses	40,140	21,206
Total current assets	<u>514,217</u>	<u>528,116</u>
INVESTMENTS	<u>275,078</u>	<u>271,694</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	45,307	31,910
Less accumulated depreciation	(27,628)	(19,898)
Net property and equipment	<u>17,679</u>	<u>12,012</u>
SECURITY DEPOSIT	<u>-</u>	<u>6,085</u>
Total assets	<u>\$ 806,974</u>	<u>\$ 817,907</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,240	\$ 11,824
Accrued payroll and vacation	2,510	817
Deferred revenue	72,750	15,561
Deferred rent	10,613	4,285
Total current liabilities	<u>90,113</u>	<u>32,487</u>
NET ASSETS		
Unrestricted	270,209	455,372
Temporarily restricted	436,652	320,048
Permanently restricted	10,000	10,000
Total net assets	<u>716,861</u>	<u>785,420</u>
Total liabilities and net assets	<u>\$ 806,974</u>	<u>\$ 817,907</u>

See accompanying notes to financial statements.

**WORKING IN THE SCHOOLS, INC.**  
**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>REVENUE</b>						
Contributions and grants	\$ 366,968	\$ 813,042	\$ -	\$ 1,180,010	\$ 699,549	\$ -
In-kind contributions	81,568	-	-	81,568	11,282	-
Special events	250,169	208,840	-	459,009	128,000	-
Less costs of direct benefit to donors - special events	(59,725)	-	-	(59,725)	-	-
Investment income - net	4,699	-	-	4,699	-	-
Net assets released from restrictions	905,278	(905,278)	-	707,891	(707,891)	-
Total revenue	<u>1,548,957</u>	<u>116,604</u>	<u>-</u>	<u>1,665,561</u>	<u>130,940</u>	<u>-</u>
				Unrestricted	Temporarily Restricted	Permanently Restricted
						Total
				\$ 502,764	\$ -	\$ 1,202,313
				109,777	-	121,059
				366,645	-	494,645
				(115,161)	-	(115,161)
				8,260	-	8,260
				707,891	-	-
				1,580,176	130,940	1,711,116
<b>EXPENSES</b>						
Program expenses						
Mid-day Mentoring	334,254	-	-	334,254	-	-
Workplace Mentoring	325,772	-	-	325,772	-	-
Classroom Reading Tutors	82,291	-	-	82,291	-	-
WITS on the Weekend	73,989	-	-	73,989	-	-
WITS Kindergarten	54,562	-	-	54,562	-	-
WITSummer Early Childhood	76,604	-	-	76,604	-	-
WITSummer in the Parks	59,713	-	-	59,713	-	-
WITS on Campus	38,269	-	-	38,269	-	-
Rochelle Lee Teacher Award	353,556	-	-	353,556	-	-
Total program	1,399,010	-	-	1,399,010	-	-
Management and general	119,737	-	-	119,737	-	-
Fundraising	215,373	-	-	215,373	-	-
Total expenses	<u>1,734,120</u>	<u>-</u>	<u>-</u>	<u>1,734,120</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS BEFORE ACQUISITION	(185,163)	116,604	-	(68,559)	130,940	-
CONTRIBUTION RECEIVED IN DONATION OF BOUNDLESS READERS	-	-	-	-	5,608	-
CHANGE IN NET ASSETS AFTER ACQUISITION	(185,163)	116,604	-	(68,559)	136,548	-
<b>NET ASSETS</b>						
Beginning of year	455,372	320,048	10,000	785,420	183,500	10,000
End of year	<u>\$ 270,209</u>	<u>\$ 436,652</u>	<u>\$ 10,000</u>	<u>\$ 716,861</u>	<u>\$ 320,048</u>	<u>\$ 10,000</u>
				\$ 455,372	\$ 320,048	\$ 785,420

See accompanying notes to financial statements.

**WORKING IN THE SCHOOLS, INC.**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (68,559)	\$ 123,000
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,730	9,793
Realized and unrealized (gain) loss on investment	621	(3,997)
Loss on disposal of property and equipment	-	7,180
Amortization of deferred rent credit	6,328	(13,818)
Donated investments	(58,579)	(24,953)
(Increase) in assets		
Pledges receivable - net	(132,775)	(95,175)
Prepaid expenses	(12,849)	(4,629)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(7,584)	(2,621)
Accrued payroll and vacation	1,693	(479)
Deferred revenue	<u>57,189</u>	<u>15,561</u>
Net cash provided by (used in) operating activities	<u>(206,785)</u>	<u>9,862</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(13,397)	(12,372)
Proceeds from sale of investments	59,547	24,073
Purchases of investments	<u>(4,973)</u>	<u>(3,776)</u>
Net cash provided by investing activities	<u>41,177</u>	<u>7,925</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(165,608)</b>	<b>17,787</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>306,735</u>	<u>288,948</u>
End of year	<u>\$ 141,127</u>	<u>\$ 306,735</u>

See accompanying notes to financial statements.

**WORKING IN THE SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 YEAR ENDED JUNE 30, 2016

	Programs										Total Programs	Management and General	Fundraising	Total
	Classroom	WITS on the Weeknd	WITS Kindergarten	WITS Early Childhood	WITS Summer in the Parks	WITS on Campus	Teacher Award	Rochelle Lee	Total	Management and General				
Salaries	\$ 159,521	\$ 143,597	\$ 52,386	\$ 44,580	\$ 32,356	\$ 47,614	\$ 35,380	\$ 23,309	\$ 148,214	\$ 686,957	\$ 60,247	\$ 145,536	\$ 892,740	
Printing and publications	78,418	93,889	-	1,870	-	173	3,675	-	-	178,025	-	1,585	1,585	
Bus transportation	399	354	133	111	89	111	89	66	375	1,727	-	-	1,727	
Volunteer training and appreciation	1,296	1,296	648	648	648	648	-	-	324	5,508	-	971	6,479	
Professional development	2,409	2,141	803	669	535	669	535	401	2,275	10,437	803	2,143	13,383	
Insurance	13,596	11,092	3,936	3,280	2,624	3,280	2,624	1,968	11,152	53,552	3,936	10,497	67,985	
Payroll taxes	11,496	10,218	3,832	3,193	2,555	3,193	2,555	1,916	10,857	49,815	3,832	10,219	63,866	
Employee benefits	11,107	10,208	2,998	2,850	2,401	2,850	2,401	1,348	10,657	46,820	35,598	8,702	91,120	
Professional fees	19,142	22,139	6,154	7,060	4,724	8,484	4,622	3,719	20,570	96,614	288	574	97,476	
Office and program supplies	2,635	2,342	878	732	585	732	585	439	2,488	11,416	878	2,343	14,637	
Telephone	487	433	162	135	108	135	108	81	460	2,109	162	561	2,832	
Postage and delivery	13,329	11,848	4,443	3,703	2,962	3,703	2,962	2,222	12,589	57,761	4,443	11,847	74,051	
Rent	628	558	209	174	140	174	140	105	593	2,721	209	558	3,488	
Electricity	1,391	1,237	464	386	309	386	309	232	1,314	6,028	464	1,238	7,730	
Depreciation	4,936	4,387	1,645	1,371	1,097	1,371	1,097	823	40,227	56,954	1,645	4,388	62,987	
Consultant fees	-	-	-	-	-	-	-	-	-	-	-	2,582	5,164	
Bank charges	3,090	2,842	1,316	906	1,068	906	782	372	2,680	13,962	1,030	3,128	18,120	
Equipment maintenance	5,823	5,176	1,941	1,618	1,294	1,618	1,294	971	5,500	25,235	1,941	5,176	32,352	
Marketing and public relations	184	184	184	184	184	184	184	-	-	1,288	184	2,216	3,688	
Membership dues and subscriptions	4,367	1,831	159	519	883	373	371	297	1,301	10,101	1,495	1,109	12,705	
Employee transportation	-	-	-	-	-	-	-	-	81,980	81,980	-	-	81,980	
Book awards	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total expenses</b>	<b>\$ 334,254</b>	<b>\$ 325,772</b>	<b>\$ 82,291</b>	<b>\$ 73,989</b>	<b>\$ 54,562</b>	<b>\$ 76,604</b>	<b>\$ 59,713</b>	<b>\$ 38,269</b>	<b>\$ 353,556</b>	<b>\$ 1,399,010</b>	<b>\$ 119,737</b>	<b>\$ 215,373</b>	<b>\$ 1,734,120</b>	

See accompanying notes to financial statements.



WORKING IN THE SCHOOLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Programs										Total Programs	Management and General	Fundraising	Total
	Mid-day Mentoring	Workplace Mentoring	Classroom Reading Tutors	WITS on the Weekend	WITS Kindergarten	WITS Summer Early Childhood	WITS Summer in the Parks	WITS on Campus	Rochelle Lee Teacher Award					
Salaries	\$ 146,338	\$ 119,225	\$ 57,770	\$ 34,381	\$ 33,479	\$ 51,006	\$ 29,850	\$ 20,896	\$ 114,244	\$ 49,294	\$ 104,439	\$ 760,922		
Printing and publications	-	-	-	-	-	-	-	-	-	-	832	832		
Bus transportation	62,415	102,130	-	-	-	2,850	-	-	-	-	-	167,395		
Volunteer training and appreciation	1,547	1,303	651	407	326	570	326	244	1,220	-	-	6,594		
Professional development	1,452	1,452	726	726	726	726	-	-	362	-	1,089	7,259		
Insurance	1,895	1,596	798	499	399	698	399	299	1,495	499	1,396	9,973		
Payroll taxes	11,011	9,273	4,636	2,898	2,318	4,057	2,318	1,739	8,693	2,898	8,114	57,955		
Employee benefits	11,707	9,858	4,929	3,081	2,465	4,313	2,464	1,848	9,242	3,081	8,626	61,614		
Professional fees	16,329	14,164	6,034	4,132	3,410	5,575	3,410	2,165	13,438	33,777	11,411	113,845		
Office and program supplies	6,892	23,785	551	4,642	4,526	3,761	551	1,102	49,608	551	1,102	97,071		
Telephone	2,027	1,707	854	533	427	747	427	320	1,600	533	1,494	10,669		
Postage and delivery	637	536	268	166	134	236	134	101	501	168	1,601	4,482		
Rent	14,551	12,254	6,127	3,829	3,063	5,361	3,063	2,298	11,488	3,829	10,722	76,585		
Electricity	645	543	272	170	136	238	136	102	508	170	476	3,396		
Depreciation	1,861	1,567	783	490	392	686	392	294	1,467	490	1,371	9,793		
IT consultant	7,972	6,713	3,357	2,098	1,678	2,937	1,678	1,259	12,257	1,913	39,856	81,718		
Bank charges	-	-	-	-	-	-	-	-	-	2,840	2,592	5,432		
Equipment maintenance	3,858	3,379	1,827	1,073	1,188	1,393	914	479	2,944	1,073	3,335	21,463		
Marketing and public relations	3,516	2,961	1,480	925	740	1,295	740	555	2,776	926	2,591	18,505		
Membership dues and subscriptions	150	150	150	150	150	150	150	-	-	149	1,799	2,998		
Employee transportation	6,636	1,792	1,108	613	2,999	1,840	1,023	-	1,076	1,146	832	19,065		
Moving Expenses	-	-	-	-	-	-	-	-	-	6,951	2,880	9,831		
Book Awards	-	-	-	-	-	-	-	-	39,147	-	-	39,147		
Loss on Disposal of property and equipment	1,364	1,149	574	359	287	503	287	215	1,077	360	1,005	7,180		
<b>Total expenses</b>	<b>\$ 302,803</b>	<b>\$ 315,537</b>	<b>\$ 92,895</b>	<b>\$ 61,172</b>	<b>\$ 58,843</b>	<b>\$ 86,092</b>	<b>\$ 51,112</b>	<b>\$ 33,916</b>	<b>\$ 273,143</b>	<b>\$ 110,648</b>	<b>\$ 207,563</b>	<b>\$ 1,593,724</b>		

See accompanying notes to financial statements.

# WORKING IN THE SCHOOLS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### NOTE 1. DESCRIPTION OF THE ORGANIZATION

Working in the Schools, Inc. (WITS) is a nonprofit organization which works to provide tutoring and mentoring programs that support the education and development of Chicago Public School (CPS) students.

**Description of Programs** - WITS creates positive learning communities through a portfolio of volunteer literacy mentoring programs and teacher professional development; a comprehensive design to inspire children's passion for reading. For the years ended June 30, 2016 and 2015, WITS served 8,500 students in 89 schools through activating 1,850 volunteers and providing professional development for 200 teachers. WITS worked with 58 partnering organizations including corporations, universities and city agencies. The following is an overview of the programs in the WITS portfolio.

**Mid-day Mentoring:** Mid-day Mentoring is a school day literacy and mentoring program that pairs elementary school students and business volunteers for one-on-one, 45 minute reading sessions. Mid-day Mentoring promotes foundational literacy skills and love of reading through reading aloud, sharing favorite stories, and talking about books. In 2015-2016, approximately 754 volunteers served 430 students (annually).

**Workplace Mentoring:** Workplace Mentoring is an after-school program that provides for third through sixth grade students to be transported by bus to corporate offices where they are matched with employees for one-on-one, 60 minute mentoring sessions. In 2015-2016, approximately 634 volunteers served 303 students (annually).

**Classroom Reading Tutors:** The Classroom Reading Tutor program (CRT) is the inaugural WITS program. Volunteers work with a teacher to support the classroom in literacy goals, with each volunteer's service tailored to the needs of the class. Classroom Reading Tutors (CRTs) often work with small groups or one-on-one with students to build literacy skills. In 2015-2016 approximately 41 volunteer CRTs that worked with 1,158 students in classrooms throughout CPS (annually).

## NOTE 1. DESCRIPTION OF THE ORGANIZATION (CONTINUED)

### Description of Programs (continued)

**WITS on the Weekend:** WITS on the Weekend is a Saturday mentoring program for third through fifth graders located at a CPS school. Volunteers and students work together in small teams to read and complete cooperative learning challenges based on STEAM (science, technology, engineering, art, and math) principles. Some STEAM challenges that WITS on the Weekend teams have completed include an egg drop, making balloon race cars, creating animal habitat dioramas, and exploring chemical reactions. Volunteers engage students' interest by encouraging them to explore learning and literacy beyond the classroom. Each themed unit culminates in a fieldtrip. The program meets from 10am to Noon on Saturdays from October to May (approximately 16 sessions). In 2015-2016, 66 volunteers mentored 92 students.

**WITS Kindergarten:** The WITS Kindergarten (WITSK) program is a one-on-one reading program that takes place at CPS elementary schools. Kindergarten students read with a consistent volunteer each week, which allows volunteers and children to establish a consistent reading rapport and build book print awareness, as well as early literacy skills, over the course of the school year. In 2015-2016, WITSK had approximately 81 volunteers that served 398 students (annually).

**WITSummer Early Childhood Program:** WITSummer Early Childhood Program is a 5-week, intensive classroom program for pre-k students going into kindergarten. Students attend the program four days a week for two and half hours. The program aims to provide students with a head-start on the basics of literacy development as they transition into kindergarten in the fall. WITS created and uses a curriculum focused on exploring folk tales through engaging read-alouds and activities. WITS partner teachers serve as "lead teachers" throughout the summer and bring their expertise to provide instruction as well as reinforce classroom culture that students are expected to know upon entering kindergarten. In 2015-2016, 47 students and 27 volunteers participated in the program.

**WITSummer in the Parks:** The WITSummer in the Parks program, modeled after the WITS school year Mid-day Mentoring program, brings volunteers into Chicago community parks for one-on-one and two-on-one reading time with young people enrolled in Chicago Park District day camp. In 2015-2016, the WITSummer in the Parks program brought 124 volunteers into five Chicago community parks to read with 125 young campers. In an effort to supplement existing camp programs at park sites WITS volunteers offered literacy support to combat the "summer slide."

**WITS on Campus:** The WITS on Campus program started in 2011 to give young students a taste of campus life and is modeled after Workplace Mentoring. Students travel to partner universities and read with literacy mentors who are either students at the university or are university staff. In 2015-2016, 95 students were served by approximately 100 university volunteers.

## NOTE 1. DESCRIPTION OF THE ORGANIZATION (CONTINUED)

### Description of Programs (continued)

**Rochelle Lee Teacher Award:** The Rochelle Lee Teacher Award (RLTA) is named in honor of Rochelle Lee, Chicago Public Schools (CPS) educator and librarian who inspired generations of students to be impassioned readers. Rochelle Lee Teacher Awardees are CPS teachers that embody the same drive as Rochelle Lee to develop their students into people who will foster a life-long relationship to learning and reading. The competitive essay-based application process draws CPS teacher applicants across subject matters in grades pre-kindergarten through eighth. Teachers apply either as a potential individual awardee or part of a study group. Teachers may be selected to participate in RLTA for a maximum of four years. The first two years can be as an individual participant; the last two must be as a member of a study group. Teachers attend self-selected literacy workshops during WITS' Summer Institute and receive accredited continuing professional development hours for each completed workshop. Once teachers complete the required number of workshop hours, they are awarded book grants to purchase new books for their classroom libraries. In 2015-2016, 164 teachers completed the program.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation** - To conform with generally accepted accounting principles, WITS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. WITS is, by definition, considered a voluntary health and welfare organization since it receives its support primarily from the general public to be used for specific community services.

**Unrestricted** - Unrestricted net assets are available to finance the general operations of WITS. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of WITS, the environment in which it operates and the purposes specified in their articles of incorporation.

**Temporarily Restricted** - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by organizations are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of organizations pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of organizations pursuant to those stipulations.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Presentation (continued)

**Permanently Restricted** - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the organization to expend part or all of the income or other economic benefits derived from the donated assets.

**Cash and Cash Equivalents** - Cash equivalents consists of checking and highly liquid interest bearing accounts.

**Pledges Receivable** - Unconditional promises to give are recognized as revenue in the period that the promises are received. The pledges receivable contain amounts that will be collected over a period longer than one year. Promises to give that cover multiple years have discounted using a 6% treasury bond rate. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. No allowance was considered necessary at both June 30, 2016 and 2015.

**Investments** - Investments of WITS are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of the investments are reflected on a trade-date basis.

Dividend income is recorded on the ex dividend date. Interest income is recorded on the accrual basis.

**Property and Equipment** - Property and equipment are carried at cost or, if donated, fair value at time of donation. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method over a 3-7 year estimated useful life. Depreciation expense totaled \$7,730 and \$9,793 for the years ended June 30, 2016 and 2015, respectively.

**Deferred Rent** - Deferred rent expense consists of "free rent" from the landlord at the outset of the lease. WITS recognizes operating rent expense on a straight-line basis over the term of the lease.

**Unrestricted and Restricted Revenue and Support** - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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 statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, WITS reports the support as unrestricted.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**In-Kind Contributions** - In-kind contributions are recorded at fair value at the date of the donation and include fundraising goods, equipment and program supplies. The value of in-kind contributions is reflected in the financial statements at the fair market value estimated by the donor. These contributions have been presented in the financial statements as support with an equal amount shown as expense.

**Donated Services** - Contributions of services are recognized at fair value if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of these services is included as contributions in the financial statements and is offset by like amounts included in expenses. WITS also relies on the contributed services of many volunteers that do not meet the above criteria and are not recognized in these financial statements.

**Advertising Costs** - Advertising expenses are expensed as incurred.

**Functional Allocation of Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and detailed in the statement of functional expenses. Expenses which are directly associated with a particular program or supporting service are allocated directly to that functional category. Certain operating expenses directly identifiable with a functional area are charged to that area, and where these expenses affect more than one area, they are allocated on a basis of ratios determined by management.

**Estimates** - 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 in the financial statements. Actual results could differ from those estimates.

**Subsequent Events** - Subsequent events have been evaluated through September 16, 2016, which is the date the financial statements were available to be issued.

## NOTE 3. TAX STATUS

WITS has been advised by the Internal Revenue Service that it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. WITS is not considered to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

WITS files Form 990, *Return of Organization Exempt from Income Tax*, and is subject to examination by the Internal Revenue Service until the applicable statute of limitations expires.

**NOTE 4. CASH CONCENTRATIONS**

Cash consists of monies held in checking and highly liquid interest bearing accounts without significant withdrawal restrictions. WITS places its cash with financial institutions deemed to be creditworthy. Balances are insured up to \$250,000 per financial institution. Balances may at times exceed insured limits. Management believes this credit risk to be minimal.

**NOTE 5. PLEDGES RECEIVABLE**

Promises to give that cover multiple years have been discounted using a .6% treasury bond rate as June 30, 2016. All multi-year pledges were given during the year ended June 30, 2016. Pledges receivable as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Pledges receivable in less than one year	\$ 234,581	\$ 122,806
Pledges receivable in one to five years	<u>99,166</u>	<u>89,997</u>
	333,747	212,803
Discount for present value	<u>(797)</u>	<u>(12,628)</u>
Total	<u>\$ 332,950</u>	<u>\$ 200,175</u>

**NOTE 6. INVESTMENTS**

WITS' investments as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 269,236	\$ 269,977
Common stock	-	848
Invested cash	<u>5,842</u>	<u>869</u>
Total	<u>\$ 275,078</u>	<u>\$ 271,694</u>

WITS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and any such changes could materially affect the amounts reports in the statements of financial position.

**NOTE 6. INVESTMENTS (CONTINUED)**

Investment income for the years ended June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 5,320	\$ 4,263
Unrealized gain (loss) on investments	(740)	4,237
Realized gain (loss) on investments	119	(240)
Total	<u>\$ 4,699</u>	<u>\$ 8,260</u>

**NOTE 7. FAIR VALUE MEASUREMENTS**

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Basis of Fair Value Measurement**

- Level 1      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
  
- Level 2      Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
  
- Level 3      Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable



**NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables set forth, by level within the fair value hierarchy, WITS' investment assets at fair value as of June 30, 2016 and 2015. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. WITS had no investment assets at fair value classified within Level 3 at June 30, 2016 and 2015.

	<u>Total</u>	<u>Fair Value Measurements at 06/30/16 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed income	\$ 106,394	\$ 106,394	\$ -	\$ -
Equity	162,842	162,842	-	-
	<u>269,236</u>	<u>269,236</u>	<u>-</u>	<u>-</u>
Invested cash	5,842	-	5,842	-
Total	<u>\$ 275,078</u>	<u>\$ 269,236</u>	<u>\$ 5,842</u>	<u>\$ -</u>

	<u>Total</u>	<u>Fair Value Measurements at 06/30/15 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed income	\$ 105,820	\$ 105,820	\$ -	\$ -
Equity	164,157	164,157	-	-
	<u>269,977</u>	<u>269,977</u>	<u>-</u>	<u>-</u>
Common stock	848	848	-	-
Invested cash	869	-	869	-
Total	<u>\$ 271,694</u>	<u>\$ 270,825</u>	<u>\$ 869</u>	<u>\$ -</u>

## NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

### Level 1 Measurements

The fair values of the mutual funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in the mutual funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented.

Most common stock is traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented.

### Level 2 Measurements

Invested cash is valued at cost which approximates its fair value.

## NOTE 8. RESTRICTIONS ON NET ASSETS

At June 30, 2016 and 2015, temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Time restricted	\$ 124,417	\$ 58,975
Purpose restricted:		
Corporate Luncheon	208,840	128,000
Workplace Mentoring	50,000	20,000
Mid-day Mentoring	25,000	5,000
Classroom Reading Tutors	25,000	25,000
WIT Summer Early Childhood	3,395	-
WITS on Campus	-	6,086
Boundless Readers	-	76,987
Total	<u>\$ 436,652</u>	<u>\$ 320,048</u>

Permanently restricted net assets are restricted in perpetuity in order to continue the tradition of WITS, the income from which is expendable for recruiting, training and transportation.

## NOTE 9. LINE OF CREDIT

WITS maintained a line of credit during the years ended June 30, 2016 and 2015 that is due on demand. The maximum borrowing available under the line of credit is \$75,000. Interest is payable monthly at the rate of 6.25%. There was no outstanding balance on this line of credit as of June 30, 2016 and 2015, and no interest was paid in either year.

**NOTE 10. LEASES**

WITS leases mail processing equipment at \$310 per quarter under a 42 month term expiring in March 2017.

During the year ended June 30, 2015, WITS signed a lease at the Chicago Literacy Alliance building for operating space under a noncancellable operating lease arrangement expiring June 1, 2027, with an option to extend the lease four additional years. The lease includes a one-month rent deferral prior to the beginning of the lease term and also includes scheduled increases in rent payments. Rent expense is recognized on a straight line basis. Rent expense for the years ended June 30, 2016 and 2015 was \$74,051 and \$76,585 respectively.

The annual future minimum lease payments are as follows:

Year ending June 30,	
2017	\$ 46,219
2018	47,377
2019	48,540
2020	49,759
2021	51,028
Thereafter	<u>329,043</u>
	<u>\$ 571,966</u>

**NOTE 11. RETIREMENT PLAN**

WITS maintains a tax deferred 403(b) retirement plan to provide retirement benefits for all eligible employees. The plan is entirely funded through employee contributions. Participants pay for all of the costs of the plan's administration.

**NOTE 12. ACQUISITION**

On January 21, 2015, WITS acquired the programs of the non-profit organization Boundless Readers. Upon this acquisition, WITS continues to carry on the Rochelle Lee Teacher Award, a program of Boundless Readers, and hosts the Boundless Readers annual fundraising event. WITS did not give any consideration for this agreement, and received only cash in the amount of \$5,608.

**NOTE 13. COMMITMENTS**

WITS has entered into contracts for services for future special events. These contracts may include penalty clauses with would require WITS to pay certain amounts if the event were to be canceled.