

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statement of Functional Expenses - Year Ended June 30, 2017	6
Statement of Functional Expenses - Year Ended June 30, 2016	7
Notes to Financial Statements	8

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, 2017 and 2016, 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, 2017 and 2016, 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

October 20, 2017

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 195,157	\$ 141,127
Pledges receivable - net	241,409	332,950
Prepaid expenses	<u>22,954</u>	<u>40,140</u>
Total current assets	<u>459,520</u>	<u>514,217</u>
INVESTMENTS	<u>310,643</u>	<u>275,078</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	45,307	45,307
Less accumulated depreciation	<u>(36,547)</u>	<u>(27,628)</u>
Net property and equipment	<u>8,760</u>	<u>17,679</u>
Total assets	<u>\$ 778,923</u>	<u>\$ 806,974</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,456	\$ 4,240
Accrued payroll and vacation	-	2,510
Deferred revenue	30,080	72,750
Deferred rent	<u>15,816</u>	<u>10,613</u>
Total current liabilities	<u>48,352</u>	<u>90,113</u>
NET ASSETS		
Unrestricted	360,826	270,209
Temporarily restricted	359,745	436,652
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>730,571</u>	<u>716,861</u>
Total liabilities and net assets	<u>\$ 778,923</u>	<u>\$ 806,974</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Contributions and grants	\$ 380,140	\$ 648,000	\$ -	\$ 1,028,140	\$ 366,968	\$ 813,042	\$ -	\$ 1,180,010
In-kind contributions	65,865	-	-	65,865	81,568	-	-	81,568
Special events	529,310	169,920	-	699,230	250,169	208,840	-	459,009
Less special event expenses	(285,743)	-	-	(285,743)	(59,725)	-	-	(59,725)
Investment income - net	29,637	-	-	29,637	4,699	-	-	4,699
Net assets released from restrictions	894,827	(894,827)	-	-	905,278	(905,278)	-	-
Total revenue	<u>1,614,036</u>	<u>(76,907)</u>	<u>-</u>	<u>1,537,129</u>	<u>1,548,957</u>	<u>116,604</u>	<u>-</u>	<u>1,665,561</u>
EXPENSES								
Program expenses								
Mid-day Mentoring	304,012	-	-	304,012	334,254	-	-	334,254
Workplace Mentoring	360,576	-	-	360,576	325,772	-	-	325,772
Classroom Reading Tutors	65,370	-	-	65,370	82,291	-	-	82,291
WITS on the Weekend	56,440	-	-	56,440	73,989	-	-	73,989
WITS Kindergarten	45,746	-	-	45,746	54,562	-	-	54,562
WITSummer Early Childhood	78,136	-	-	78,136	76,604	-	-	76,604
WITSummer in the Parks	-	-	-	-	59,713	-	-	59,713
WITS on Campus	31,189	-	-	31,189	38,269	-	-	38,269
Rochelle Lee Teacher Award	260,244	-	-	260,244	353,556	-	-	353,556
Total program	<u>1,201,713</u>	<u>-</u>	<u>-</u>	<u>1,201,713</u>	<u>1,399,010</u>	<u>-</u>	<u>-</u>	<u>1,399,010</u>
Management and general	112,830	-	-	112,830	119,737	-	-	119,737
Fundraising	208,876	-	-	208,876	215,373	-	-	215,373
Total expenses	<u>1,523,419</u>	<u>-</u>	<u>-</u>	<u>1,523,419</u>	<u>1,734,120</u>	<u>-</u>	<u>-</u>	<u>1,734,120</u>
CHANGE IN NET ASSETS								
	90,617	(76,907)	-	13,710	(185,163)	116,604	-	(68,559)
NET ASSETS								
Beginning of year	270,209	436,652	10,000	716,861	455,372	320,048	10,000	785,420
End of year	<u>\$ 360,826</u>	<u>\$ 359,745</u>	<u>\$ 10,000</u>	<u>\$ 730,571</u>	<u>\$ 270,209</u>	<u>\$ 436,652</u>	<u>\$ 10,000</u>	<u>\$ 716,861</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,710	\$ (68,559)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	8,919	7,730
Realized and unrealized (gain) loss on investment	(25,209)	621
Amortization of deferred rent credit	5,203	6,328
Donated investments	(43,334)	(58,579)
Changes in assets and liabilities		
Pledges receivable - net	91,541	(132,775)
Prepaid expenses	17,186	(12,849)
Accounts payable and accrued expenses	(1,784)	(7,584)
Accrued payroll and vacation	(2,510)	1,693
Deferred revenue	(42,670)	57,189
Net cash provided by (used in) operating activities	<u>21,052</u>	<u>(206,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(13,397)
Proceeds from sale of investments	37,532	59,547
Purchases of investments	(4,554)	(4,973)
Net cash provided by investing activities	<u>32,978</u>	<u>41,177</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,030	(165,608)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>141,127</u>	<u>306,735</u>
End of year	<u>\$ 195,157</u>	<u>\$ 141,127</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2017

	Program										Total Program	Management and General	Fundraising	Total
	Mid-day Mentoring	Workplace Mentoring	Classroom Reading Tutors	WITS on the Weekend	WITS Kindergarten	WITS Early Childhood	WITS on Campus	Rochelle Lee Teacher Award	Total Program	Management and General				
Salaries	\$ 156,413	\$ 174,187	\$ 41,971	\$ 34,770	\$ 27,965	\$ 49,596	\$ 20,612	\$ 124,469	\$ 629,983	\$ 58,796	\$ 140,684	\$ 829,463		
Printing and publications	-	89,100	-	-	-	-	-	-	147,020	-	3,302	3,302		
Bus transportation	702	782	188	156	126	223	93	558	2,828	-	-	2,828		
Volunteer training and appreciation	1,799	1,799	899	899	899	654	-	696	7,645	-	1,349	8,994		
Professional development	2,190	2,438	588	487	391	694	289	1,742	8,819	823	1,970	11,612		
Insurance	14,442	13,802	3,091	2,560	2,059	3,652	1,518	9,166	50,290	4,330	10,360	64,980		
Payroll taxes	11,803	13,144	3,167	2,624	2,110	3,743	1,555	9,393	47,539	4,437	10,616	62,592		
Employee benefits	14,046	16,041	2,992	3,019	2,609	3,913	1,243	12,120	55,983	29,386	10,791	96,160		
Professional fees	16,735	18,873	4,243	5,360	3,172	6,571	2,474	14,338	71,766	259	515	72,540		
Office and program supplies	2,042	2,274	548	454	365	647	269	1,625	8,224	768	1,836	10,828		
Telephone	611	681	164	136	109	194	81	487	2,463	230	1,176	3,869		
Postage and delivery	10,639	11,849	2,855	2,365	1,902	3,374	1,402	8,467	42,853	3,999	9,570	56,422		
Rent	399	444	107	89	71	126	53	317	1,606	150	359	2,115		
Electricity	1,682	1,873	451	374	301	533	222	1,338	6,774	632	1,513	8,919		
Depreciation	2,590	2,884	695	576	463	821	341	26,505	34,875	973	2,329	38,177		
Consultant fees	-	-	-	-	-	-	-	-	-	2,257	2,257	4,514		
Bank charges	3,388	3,503	1,853	1,016	1,762	1,113	134	3,180	15,949	1,172	4,076	21,197		
Equipment maintenance	4,008	4,463	1,075	891	717	1,271	528	3,189	16,142	1,507	3,606	21,255		
Marketing and public relations	198	198	198	198	198	198	-	-	1,188	198	2,567	3,953		
Membership dues and subscriptions	2,405	2,241	285	466	527	813	375	1,168	8,280	2,913	-	11,193		
Employee transportation	-	-	-	-	-	-	-	41,486	41,486	-	-	41,486		
Book awards	-	-	-	-	-	-	-	-	-	-	-	-		
Total	\$ 304,012	\$ 360,576	\$ 65,370	\$ 56,440	\$ 45,746	\$ 78,136	\$ 31,189	\$ 260,244	\$ 1,201,713	\$ 112,830	\$ 208,876	\$ 1,523,419		

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program										Total Program	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	\$ 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	-	-	-	-	-	-	-	-	-	-	-	1,585	1,585	
Bus transportation	78,418	93,889	-	1,870	-	173	3,675	-	-	178,025	-	-	1,727	
Volunteer training and appreciation	399	354	133	111	89	111	89	66	375	1,727	-	-	1,727	
Professional development	1,296	1,296	648	648	648	648	-	-	324	5,508	-	971	6,479	
Insurance	2,409	2,141	803	669	535	669	535	401	2,275	10,437	803	2,143	13,383	
Payroll taxes	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	
Employee benefits	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	
Professional fees	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	
Office and program supplies	19,142	22,139	6,154	7,060	4,724	8,484	4,622	3,719	20,570	96,614	288	574	97,476	
Telephone	2,635	2,342	878	732	585	732	585	439	2,488	11,416	878	2,343	14,637	
Postage and delivery	487	433	162	135	108	135	108	81	460	2,109	162	561	2,832	
Rent	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	
Electricity	628	558	209	174	140	174	140	105	593	2,721	209	558	3,488	
Depreciation	1,391	1,237	464	386	309	386	309	232	1,314	6,028	464	1,238	7,730	
Consultant fees	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	
Bank charges	-	-	-	-	-	-	-	-	-	-	2,582	2,582	5,164	
Equipment maintenance	3,090	2,842	1,316	906	1,068	906	782	372	2,680	13,962	1,030	3,128	18,120	
Marketing and public relations	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	
Membership dues and subscriptions	184	184	184	184	184	184	184	-	-	1,288	184	2,216	3,688	
Employee transportation	4,367	1,831	159	519	883	373	371	297	1,301	10,101	1,495	1,109	12,705	
Book awards	-	-	-	-	-	-	-	-	81,980	81,980	-	-	81,980	
Total	\$334,254	\$ 325,772	\$ 82,291	\$ 73,989	\$ 54,562	\$ 76,604	\$ 59,713	\$ 38,269	\$ 353,556	\$ 1,399,010	\$ 119,737	\$ 215,373	\$1,734,120	

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1. DESCRIPTION OF THE ORGANIZATION

Working in the Schools, Inc. (WITS) sets students on a trajectory of success by building critical literacy skills and developing positive self-identity through teacher-led literacy professional development and activating volunteers as literacy mentors.

Description of Programs - WITS creates positive learning communities through a portfolio of volunteer literacy mentoring programs and teacher professional development, a comprehensive design to drive students toward grade level reading proficiency. For the year ended June 30, 2017, WITS served students in 73 schools through activating approximately 1,700 volunteers and providing professional development for 170 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.

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.

Classroom Reading Tutors: The Classroom Reading Tutors 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. Tutors often work with small groups or one-on-one with students to build literacy skills.

WITS on the Weekend: WITS on the Weekend is a Saturday mentoring program for third through fifth graders located at a Chicago Public School (CPS). 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' interests by encouraging them to explore learning and literacy beyond the classroom. Each themed unit culminates in a field trip. The program meets from 10am-noon on Saturdays from October to May (approximately 16 sessions).

NOTE 1. DESCRIPTION OF THE ORGANIZATION (CONTINUED)

Description of Programs (continued)

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.

WITSummer Early Childhood Program: WITS Early Childhood Summer Program is a five 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.

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. During the year ended June 30, 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.” This program was discontinued after the year ended June 30, 2016.

WITS on Campus: The WITS on Campus program gives 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.

Rochelle Lee Teacher Award: The Rochelle Lee Teacher Award (RLTA) is named in honor of Rochelle Lee, CPS educator and librarian who inspired generations of students to be impassioned readers. Rochelle Lee Teacher Awardees are CPS teachers who 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.

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 the provisions of 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 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.

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 and cash equivalents consist 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 include amounts that will be collected over a period longer than one year. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. No allowance was considered necessary at either June 30, 2017 or 2016.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimated useful lives of three to seven years. Depreciation expense totaled \$8,919 and \$7,730 for the years ended June 30, 2017 and 2016, 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.

In-Kind Contributions - In-kind contributions are recorded at fair value at the date of the donation and include investment securities, fundraising goods, equipment and program supplies. The value of in-kind contributions is reflected in the financial statements at the fair value estimated by the donor. These contributions have been presented in the financial statements as support revenue.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 October 20, 2017, 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. CONCENTRATION OF CASH

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 discount rate ranging from 1.38% to 1.55% as of June 30, 2017 and 2016. The following presents a summary of multi-year pledges receivable as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pledges receivable in less than one year	\$ 222,066	\$ 234,581
Pledges receivable in one to five years	<u>20,000</u>	<u>99,166</u>
	242,066	333,747
Discount for present value	<u>(657)</u>	<u>(797)</u>
Total	<u>\$ 241,409</u>	<u>\$ 332,950</u>

NOTE 6. INVESTMENTS

WITS' investments as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 295,196	\$ 269,236
Common stock	5,051	-
Money market	<u>10,396</u>	<u>5,842</u>
Total	<u>\$ 310,643</u>	<u>\$ 275,078</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.

Investment income for the years ended June 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 4,428	\$ 5,320
Unrealized gain (loss) on investments	24,724	(740)
Realized gain on investments	<u>485</u>	<u>119</u>
Total	<u>\$ 29,637</u>	<u>\$ 4,699</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 |

The following tables set forth, by level within the fair value hierarchy, WITS' investment assets at fair value as of June 30, 2017 and 2016. 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 either June 30, 2017 or 2016.

	<u>Total</u>	<u>Fair Value Measurements at 06/30/17 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	\$ 106,601	\$ 106,601	\$ -	\$ -
Equity	<u>188,595</u>	<u>188,595</u>	<u>-</u>	<u>-</u>
	295,196	295,196	-	-
Common stock	5,051	5,051		
Money market	<u>10,396</u>	<u>-</u>	<u>10,396</u>	<u>-</u>
Total	<u>\$ 310,643</u>	<u>\$ 300,247</u>	<u>\$ 10,396</u>	<u>\$ -</u>

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

	<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>
Money market	5,842	-	5,842	-
Total	<u>\$ 275,078</u>	<u>\$ 269,236</u>	<u>\$ 5,842</u>	<u>\$ -</u>

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 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.

Common stocks are 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

Money market funds are valued at cost, which approximates their fair value.

NOTE 8. RESTRICTIONS ON NET ASSETS

At June 30, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 106,234	\$ 124,417
Purpose restricted:		
Special Event	169,920	208,840
Workplace Mentoring	50,000	50,000
Mid-day Mentoring	15,000	25,000
Classroom Reading Tutors	-	25,000
WIT Summer Early Childhood	5,259	3,395
Rochelle Lee Teacher Award	13,332	-
Total	<u>\$ 359,745</u>	<u>\$ 436,652</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, 2017 and 2016 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 either of June 30, 2017 or 2016.

NOTE 10. LEASES

WITS leases office space at the Chicago Literacy Alliance building 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, 2017 and 2016 was \$56,422 and \$74,051 respectively.

NOTE 10. LEASES (CONTINUED)

A summary by year of requirement future minimum lease payments is as follows:

Year ending June 30,	
2018	\$ 47,377
2019	48,540
2020	49,759
2021	51,028
2022	52,301
Thereafter	<u>276,742</u>
Total	<u>\$ 525,747</u>

NOTE 11. RETIREMENT PLAN

WITS maintains a defined contribution 403(b) retirement plan to provide retirement benefits for all eligible employees. Through June 30, 2016, the plan was funded entirely through employee contributions. During the year ended June 30, 2017, WITS approved a change in the plan to match up to 3% of eligible compensation, as defined by the plan. Contributions totaled \$9,142 for the year ended June 30, 2017. Participants pay for all costs of the plan's administration.

NOTE 12. COMMITMENTS

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