

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities, of cash flows, and of 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, 2018 and 2017, 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

Westchester, Illinois

October 30, 2018

WORKING IN THE SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 325,849	\$ 195,157
Pledges receivable - net	177,029	241,409
Prepaid expenses	<u>17,493</u>	<u>22,954</u>
Total current assets	<u>520,371</u>	<u>459,520</u>
INVESTMENTS	<u>327,360</u>	<u>310,643</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	46,357	45,307
Less accumulated depreciation	<u>(43,075)</u>	<u>(36,547)</u>
Net property and equipment	<u>3,282</u>	<u>8,760</u>
Total assets	<u>\$ 851,013</u>	<u>\$ 778,923</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 17,497	\$ 2,456
Accrued payroll and vacation	1,032	-
Deferred revenue	61,835	30,080
Deferred rent	<u>19,860</u>	<u>15,816</u>
Total current liabilities	<u>100,224</u>	<u>48,352</u>
NET ASSETS		
Unrestricted	402,282	360,826
Temporarily restricted	338,507	359,745
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>750,789</u>	<u>730,571</u>
Total liabilities and net assets	<u>\$ 851,013</u>	<u>\$ 778,923</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Contributions and grants	\$ 403,257	\$ 724,818	\$ -	\$ 1,128,075	\$ 380,140	\$ 648,000	\$ -	\$ 1,028,140
In-kind contributions	43,183	-	-	43,183	65,865	-	-	65,865
Special events	520,261	176,478	-	696,739	529,310	169,920	-	699,230
Less special event expenses	(217,105)	-	-	(217,105)	(285,743)	-	-	(285,743)
Investment income - net	23,103	-	-	23,103	29,637	-	-	29,637
Net assets released from restrictions	922,534	(922,534)	-	-	894,827	(894,827)	-	-
Total revenue	<u>1,695,233</u>	<u>(21,238)</u>	<u>-</u>	<u>1,673,995</u>	<u>1,614,036</u>	<u>(76,907)</u>	<u>-</u>	<u>1,537,129</u>
EXPENSES								
Program expenses								
Mid-day Mentoring	275,820	-	-	275,820	304,012	-	-	304,012
Workplace Mentoring	342,270	-	-	342,270	360,576	-	-	360,576
Classroom Reading Tutors	71,917	-	-	71,917	65,370	-	-	65,370
WITS on the Weekend	60,367	-	-	60,367	56,440	-	-	56,440
WITS Kindergarten	48,894	-	-	48,894	45,746	-	-	45,746
WITSummer Early Childhood	120,549	-	-	120,549	78,136	-	-	78,136
WITS on Campus	38,343	-	-	38,343	31,189	-	-	31,189
Rochelle Lee Teacher Award	266,476	-	-	266,476	260,244	-	-	260,244
Total program	1,224,636	-	-	1,224,636	1,201,713	-	-	1,201,713
Management and general	119,588	-	-	119,588	112,830	-	-	112,830
Fundraising	309,553	-	-	309,553	208,876	-	-	208,876
Total expenses	<u>1,653,777</u>	<u>-</u>	<u>-</u>	<u>1,653,777</u>	<u>1,523,419</u>	<u>-</u>	<u>-</u>	<u>1,523,419</u>
CHANGE IN NET ASSETS	41,456	(21,238)	-	20,218	90,617	(76,907)	-	13,710
NET ASSETS								
Beginning of year	360,826	359,745	10,000	730,571	270,209	436,652	10,000	716,861
End of year	<u>\$ 402,282</u>	<u>\$ 338,507</u>	<u>\$ 10,000</u>	<u>\$ 750,789</u>	<u>\$ 360,826</u>	<u>\$ 359,745</u>	<u>\$ 10,000</u>	<u>\$ 730,571</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,218	\$ 13,710
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,528	8,919
Realized and unrealized (gain) on investment	(17,956)	(25,209)
Amortization of deferred rent credit	4,044	5,203
Donated investments	(63,301)	(43,334)
Donated fixed assets	(1,050)	-
Changes in assets and liabilities		
Pledges receivable - net	64,380	91,541
Prepaid expenses	5,461	17,186
Accounts payable and accrued expenses	15,041	(1,784)
Accrued payroll and vacation	1,032	(2,510)
Deferred revenue	<u>31,755</u>	<u>(42,670)</u>
Net cash provided by operating activities	<u>66,152</u>	<u>21,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	109,454	37,532
Purchases of investments	<u>(44,914)</u>	<u>(4,554)</u>
Net cash provided by investing activities	<u>64,540</u>	<u>32,978</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	130,692	54,030
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>195,157</u>	<u>141,127</u>
End of year	<u>\$ 325,849</u>	<u>\$ 195,157</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program											Total
	Mid-day <u>Mentoring</u>	Workplace <u>Mentoring</u>	Classroom Reading <u>Tutors</u>	WITS on the Weekend	WITS Kindergarten	WITS/Summer Early Childhood	WITS on Campus	Rochelle Lee Teacher Award	Total Program	Management and General	Fundraising	
Salaries	\$ 143,050	\$ 158,714	\$ 47,956	\$ 38,610	\$ 31,548	\$ 78,241	\$ 19,276	\$ 132,680	\$ 650,075	\$ 62,586	\$ 214,676	\$ 927,337
Printing and publications	-	-	-	-	-	-	-	-	-	-	3,925	3,925
Bus transportation	56,807	95,069	-	1,420	-	-	9,500	-	162,796	-	-	162,796
Volunteer training and appreciation	229	255	77	62	51	125	31	213	1,043	-	-	1,043
Professional development	1,960	2,058	833	775	731	755	120	1,361	8,593	-	2,651	11,244
Insurance	2,064	2,289	692	557	455	1,129	278	1,914	9,378	903	3,097	13,378
Payroll taxes	10,595	14,027	3,552	2,860	2,337	8,452	1,428	9,827	53,078	4,636	15,901	73,615
Employee benefits	12,638	14,022	4,237	3,411	2,787	6,912	1,703	11,722	57,432	5,529	18,966	81,927
Professional fees	11,423	13,095	2,736	2,758	2,424	4,635	913	10,932	48,916	29,004	12,490	90,410
Office and program supplies	12,757	15,596	3,688	3,374	2,749	6,966	1,880	10,623	57,633	240	481	58,354
Telephone	1,581	1,754	530	427	349	865	213	1,466	7,185	692	2,373	10,250
Postage and delivery	409	454	137	110	90	224	55	379	1,858	179	1,600	3,637
Rent	8,704	9,657	2,918	2,349	1,919	4,760	1,173	8,073	39,553	3,808	13,061	56,422
Electricity	388	431	130	105	86	212	52	360	1,764	170	583	2,517
Depreciation	1,007	1,117	338	272	222	551	136	934	4,577	440	1,511	6,528
Consultant fees	6,602	7,325	2,213	1,782	1,456	3,611	890	26,499	50,378	1,470	5,041	56,889
Bank charges	-	-	-	-	-	-	-	-	-	5,246	5,137	10,383
Equipment maintenance	1,041	1,117	465	303	385	495	93	991	4,890	420	1,504	6,814
Marketing and public relations	2,580	2,863	865	696	569	1,411	348	2,393	11,725	1,129	3,872	16,726
Membership dues and subscriptions	135	135	135	135	135	135	-	-	810	135	1,747	2,692
Employee transportation	1,850	2,292	415	361	601	1,070	254	1,437	8,280	3,001	937	12,218
Book awards	-	-	-	-	-	-	-	44,672	44,672	-	-	44,672
Total	<u>\$ 275,820</u>	<u>\$ 342,270</u>	<u>\$ 71,917</u>	<u>\$ 60,367</u>	<u>\$ 48,894</u>	<u>\$ 120,549</u>	<u>\$ 38,343</u>	<u>\$ 266,476</u>	<u>\$ 1,224,636</u>	<u>\$ 119,588</u>	<u>\$ 309,553</u>	<u>\$ 1,653,777</u>

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	WITSummer Early Childhood	WITS on Campus	Rochelle Lee Teacher Award				
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	-	-	-	-	-	-	-	-	-	-	3,302	3,302
Bus transportation	57,920	89,100	-	-	-	-	-	-	147,020	-	-	147,020
Volunteer training and appreciation	702	782	188	156	126	223	93	558	2,828	-	-	2,828
Professional development	1,799	1,799	899	899	899	654	-	696	7,645	-	1,349	8,994
Insurance	2,190	2,438	588	487	391	694	289	1,742	8,819	823	1,970	11,612
Payroll taxes	14,442	13,802	3,091	2,560	2,059	3,652	1,518	9,166	50,290	4,330	10,360	64,980
Employee benefits	11,803	13,144	3,167	2,624	2,110	3,743	1,555	9,393	47,539	4,437	10,616	62,592
Professional fees	14,046	16,041	2,992	3,019	2,609	3,913	1,243	12,120	55,983	29,386	10,791	96,160
Office and program supplies	16,735	18,873	4,243	5,360	3,172	6,571	2,474	14,338	71,766	259	515	72,540
Telephone	2,042	2,274	548	454	365	647	269	1,625	8,224	768	1,836	10,828
Postage and delivery	611	681	164	136	109	194	81	487	2,463	230	1,176	3,869
Rent	10,639	11,849	2,855	2,365	1,902	3,374	1,402	8,467	42,853	3,999	9,570	56,422
Electricity	399	444	107	89	71	126	53	317	1,606	150	359	2,115
Depreciation	1,682	1,873	451	374	301	533	222	1,338	6,774	632	1,513	8,919
Consultant fees	2,590	2,884	695	576	463	821	341	26,505	34,875	973	2,329	38,177
Bank charges	-	-	-	-	-	-	-	-	-	2,257	2,257	4,514
Equipment maintenance	3,388	3,503	1,853	1,016	1,762	1,113	134	3,180	15,949	1,172	4,076	21,197
Marketing and public relations	4,008	4,463	1,075	891	717	1,271	528	3,189	16,142	1,507	3,606	21,255
Membership dues and subscriptions	198	198	198	198	198	198	-	-	1,188	198	2,567	3,953
Employee transportation	2,405	2,241	285	466	527	813	375	1,168	8,280	2,913	-	11,193
Book awards	-	-	-	-	-	-	-	41,486	41,486	-	-	41,486
Total	\$304,012	\$360,576	\$65,370	\$56,440	\$45,746	\$78,136	\$31,189	\$260,244	\$1,201,713	\$112,830	\$208,876	#####

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 sets students on a trajectory for success by building critical literacy skills and developing positive self-identity through teacher led professional development and volunteer powered mentorship programs. WITS is a movement of educators, volunteers and investors coming together to support a better public education for every student. For the year beginning July 1, 2017 and ending June 30, 2018, WITS served students in 80 schools through activating 1,500 volunteers and providing professional development for 170 teachers. WITS worked with 67 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.

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, 2018 or 2017.

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 \$6,528 and \$8,919 for the years ended June 30, 2018 and 2017, 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 30, 2018, 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.

Accounting principles generally accepted in the United States of America require WITS to evaluate tax positions taken by WITS and recognize a tax liability if WITS has taken an uncertain position that more likely than not would not be sustained upon examination by tax authorities. WITS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 2.63% as of June 30, 2018 and 2017. The following presents a summary of multi-year pledges receivable as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pledges receivable in less than one year	\$ 96,735	\$ 222,066
Pledges receivable in one to five years	<u>87,056</u>	<u>20,000</u>
	183,791	242,066
Discount for present value	<u>(6,762)</u>	<u>(657)</u>
Total	<u>\$ 177,029</u>	<u>\$ 241,409</u>

NOTE 6. INVESTMENTS

WITS' investments as of June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 284,892	\$ 295,196
Common stock	-	5,051
Money market	<u>42,468</u>	<u>10,396</u>
Total	<u>\$ 327,360</u>	<u>\$ 310,643</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, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 5,147	\$ 4,428
Unrealized gain on investments	4,467	24,724
Realized gain on investments	<u>13,489</u>	<u>485</u>
Total	<u>\$ 23,103</u>	<u>\$ 29,637</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, 2018 and 2017. 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.

	<u>Fair Value Measurements at 06/30/18 Using</u>			
		<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
		<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Identical</u>	<u>Inputs</u>	<u>(Level 3)</u>
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	
Mutual funds:				
Fixed income	\$ 103,965	\$ 103,965	\$ -	\$ -
Equity	<u>180,927</u>	<u>180,927</u>	<u>-</u>	<u>-</u>
	284,892	284,892	-	-
Money market	<u>42,468</u>	<u>-</u>	<u>42,468</u>	<u>-</u>
Total	<u>\$ 327,360</u>	<u>\$ 284,892</u>	<u>\$ 42,468</u>	<u>\$ -</u>

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Fair Value Measurements at 06/30/17 Using</u>			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</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>

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, 2018 and 2017, temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 157,029	\$ 106,234
Purpose restricted:		
Special Event	176,478	169,920
Workplace Mentoring	5,000	50,000
Mid-day Mentoring	-	15,000
WIT Summer Early Childhood	-	5,259
Rochelle Lee Teacher Award	-	13,332
Total	<u>\$ 338,507</u>	<u>\$ 359,745</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, 2018 and 2017 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, 2018 or 2017.

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 both years ended June 30, 2018 and 2017 was \$56,422.

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

Year ending June 30,	
2019	\$ 48,540
2020	49,759
2021	51,028
2022	52,301
2023	53,625
Thereafter	<u>223,117</u>
Total	<u>\$ 478,370</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 \$24,800 and \$9,142 for the years ended June 30, 2018 and 2017, respectively. Participants pay for all costs of the plan's administration.

NOTE 12. COMMITMENTS

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