

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, WITS implemented new accounting guidance that updates the understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.

Legacy Professionals LLP

Westchester, Illinois

October 30, 2019

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 366,274	\$ 325,849
Accounts receivable	5,156	-
Pledges receivable - net	321,788	177,029
Prepaid expenses	<u>17,857</u>	<u>17,492</u>
Total current assets	<u>711,075</u>	<u>520,370</u>
INVESTMENTS	<u>176,750</u>	<u>327,360</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	48,969	46,357
Less accumulated depreciation	<u>(45,918)</u>	<u>(43,074)</u>
Net property and equipment	<u>3,051</u>	<u>3,283</u>
Total assets	<u>\$ 890,876</u>	<u>\$ 851,013</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 89,958	\$ 17,497
Accrued payroll and vacation	569	1,032
Deferred revenue	24,700	61,835
Deferred rent	<u>22,742</u>	<u>19,860</u>
Total current liabilities	<u>137,969</u>	<u>100,224</u>
NET ASSETS		
Without donor restrictions	269,168	402,282
With donor restrictions	<u>483,739</u>	<u>348,507</u>
Total net assets	<u>752,907</u>	<u>750,789</u>
Total liabilities and net assets	<u>\$ 890,876</u>	<u>\$ 851,013</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions and grants	\$ 425,837	\$ 813,618	\$ 1,239,455	\$ 403,257	\$ 724,818	\$ 1,128,075
In-kind contributions	49,367	-	49,367	43,183	-	43,183
Special events	484,630	151,950	636,580	520,261	176,478	696,739
Less: special event expenses	(206,435)	-	(206,435)	(217,105)	-	(217,105)
Investment income - net	13,321	-	13,321	23,103	-	23,103
Net assets released from restrictions	830,336	(830,336)	-	922,534	(922,534)	-
Total revenue	<u>1,597,056</u>	<u>135,232</u>	<u>1,732,288</u>	<u>1,695,233</u>	<u>(21,238)</u>	<u>1,673,995</u>
EXPENSES						
Program expenses						
Mid-day Mentoring	292,938	-	292,938	275,820	-	275,820
Workplace Mentoring	389,380	-	389,380	342,270	-	342,270
Classroom Reading Tutors	77,250	-	77,250	71,917	-	71,917
WITS on the Weekend	68,764	-	68,764	60,367	-	60,367
WITS Kindergarten	62,145	-	62,145	48,894	-	48,894
WITSummer Early Childhood	114,576	-	114,576	120,549	-	120,549
WITS on Campus	23,490	-	23,490	38,343	-	38,343
Rochelle Lee Teacher Award	288,306	-	288,306	266,476	-	266,476
Total program	1,316,849	-	1,316,849	1,224,636	-	1,224,636
Management and general	161,185	-	161,185	119,588	-	119,588
Fundraising	252,136	-	252,136	309,553	-	309,553
Total expenses	<u>1,730,170</u>	<u>-</u>	<u>1,730,170</u>	<u>1,653,777</u>	<u>-</u>	<u>1,653,777</u>
CHANGE IN NET ASSETS	(133,114)	135,232	2,118	41,456	(21,238)	20,218
NET ASSETS						
Beginning of year	<u>402,282</u>	<u>348,507</u>	<u>750,789</u>	<u>360,826</u>	<u>369,745</u>	<u>730,571</u>
End of year	<u>\$ 269,168</u>	<u>\$ 483,739</u>	<u>\$ 752,907</u>	<u>\$ 402,282</u>	<u>\$ 348,507</u>	<u>\$ 750,789</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,118	\$ 20,218
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,843	6,528
Realized and unrealized (gain) on investment	(6,878)	(17,956)
Amortization of deferred rent credit	2,882	4,044
Donated investments	(65,839)	(63,301)
Donated fixed assets	-	(1,050)
Changes in assets and liabilities		
Accounts receivable	(5,156)	-
Pledges receivable - net	(144,759)	64,380
Prepaid expenses	(365)	5,461
Accounts payable and accrued expenses	72,461	15,041
Accrued payroll and vacation	(463)	1,032
Deferred revenue	<u>(37,135)</u>	<u>31,755</u>
Net cash provided by (used in) operating activities	<u>(180,291)</u>	<u>66,152</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	229,671	109,454
Purchases of investments	(6,344)	(44,914)
Purchase of property and equipment	<u>(2,611)</u>	<u>-</u>
Net cash provided by investing activities	<u>220,716</u>	<u>64,540</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	40,425	130,692
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>325,849</u>	<u>195,157</u>
End of year	<u>\$ 366,274</u>	<u>\$ 325,849</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	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 on Campus	Rochelle Lee Teacher Award				
Salaries	\$ 165,943	\$ 181,117	\$ 52,728	\$ 44,972	\$ 41,329	\$ 76,900	\$ 15,757	\$ 139,484	\$ 718,230	\$ 93,245	\$ 170,898	\$ 982,373
Printing and publications	55	-	-	-	-	-	-	-	55	-	2,938	2,993
Bus transportation	44,800	115,675	-	2,170	-	-	600	-	163,245	-	-	163,245
Volunteer training and appreciation	139	150	44	38	35	64	13	117	600	-	-	600
Professional development	1,664	1,724	714	684	670	554	61	1,052	7,123	-	3,153	10,276
Insurance	2,524	2,754	802	684	628	1,169	240	2,121	10,922	1,418	2,599	14,939
Payroll taxes	12,390	15,670	3,936	3,357	3,085	7,693	1,176	10,413	57,720	6,961	12,759	77,440
Employee benefits	15,646	17,075	4,972	4,240	3,897	7,251	1,486	13,152	67,719	8,792	16,114	92,625
Professional fees	9,803	11,243	2,024	2,301	2,196	3,224	455	9,039	40,285	30,741	7,442	78,468
Office and program supplies	13,508	15,429	3,467	3,190	3,143	5,663	1,326	10,023	55,749	169	337	56,255
Telephone	1,665	1,818	529	451	415	772	158	1,400	7,208	936	1,715	9,859
Postage and delivery	175	189	55	47	43	80	16	146	751	97	3,266	4,114
Rent	9,601	10,479	3,051	2,602	2,391	4,449	912	8,070	41,555	5,395	9,888	56,838
Electricity	591	645	188	160	147	274	56	497	2,558	332	609	3,499
Depreciation	480	524	153	130	120	223	46	402	2,078	270	495	2,843
Consultant fees	5,881	6,419	1,869	1,594	1,465	2,725	558	31,852	52,363	3,305	6,057	61,725
Bank charges	-	-	-	-	-	-	-	-	-	4,249	3,756	8,005
Equipment maintenance	1,990	2,092	935	593	858	809	107	1,812	9,196	920	2,311	12,427
Marketing and public relations	3,798	4,146	1,207	1,029	946	1,760	361	3,192	16,439	2,134	3,912	22,485
Membership dues and subscriptions	228	228	228	228	228	228	-	-	1,368	228	2,972	4,568
Employee transportation	2,057	2,003	348	294	549	738	162	1,152	7,303	1,993	915	10,211
Book awards	-	-	-	-	-	-	-	54,382	54,382	-	-	54,382
Total	\$ 292,938	\$ 389,380	\$ 77,250	\$ 68,764	\$ 62,145	\$ 114,576	\$ 23,490	\$ 288,306	\$ 1,316,849	\$ 161,185	\$ 252,136	\$ 1,730,170

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	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 on Campus	Rochelle Lee Teacher Award				
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	\$275,820	\$ 342,270	\$ 71,917	\$ 60,367	\$ 48,894	\$ 120,549	\$ 38,343	\$ 266,476	\$ 1,224,636	\$ 119,588	\$ 309,553	\$1,653,777

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2018 and ending June 30, 2019, WITS served students in 92 schools through activating 1,549 volunteers and providing professional development for 151 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: WITSummer Early Childhood 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.

New Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for the WITS's financial statements for the year ended June 30, 2019. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

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 two classes of net assets: without donor restrictions and with donor restrictions. 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.

Net Assets without Donor Restrictions - Net assets are available to finance the general operations of WITS. The only limits on the use of without donor restrictions 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.

Net Assets with Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where donor stipulations that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019 and 2018, WITS has \$10,000 in net assets with perpetual donor restrictions.

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, 2019 or 2018.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimated useful lives of three to seven years. Depreciation expense totaled \$2,843 and \$6,528 for the years ended June 30, 2019 and 2018, 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.

Revenue and Support - Contributions received are recorded as with or without donor restrictions support depending on the existence and/or nature of any donor imposed restrictions.

Donor restricted support, is reported as an increase in with donor restrictions net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without donor restrictions net assets and is reported in the statements of activities as satisfaction of program restrictions. If a restriction is fulfilled in the same period in which the contribution is received, WITS reports the support as without donor restrictions.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

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, 2019, which is the date the financial statements were available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

WITS has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The organization has a policy to target a year-end balance of reserves of undesignated net assets to meet three months of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

Financial assets available for general expenditures within one year at June 30, 2019 and 2018 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 366,274	\$ 325,849
Accounts and pledges receivable - net due within a year	<u>184,372</u>	<u>96,735</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 550,646</u>	<u>\$ 422,584</u>

NOTE 4. 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 5. 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 6. PLEDGES RECEIVABLE

Promises to give that cover multiple years have been discounted using a discount rate ranging from 1.71% to 2.63% as of June 30, 2019 and 2018. The following presents a summary of multi-year pledges receivable as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Pledges receivable in less than one year	\$ 179,216	\$ 96,735
Pledges receivable in one to five years	<u>150,222</u>	<u>87,056</u>
	329,438	183,791
Discount for present value	<u>(7,650)</u>	<u>(6,762)</u>
Total	<u>\$ 321,788</u>	<u>\$ 177,029</u>

NOTE 7. INVESTMENTS

WITS' investments as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 163,365	\$ 284,892
Common stocks	5,986	-
Money market	<u>7,399</u>	<u>42,468</u>
Total	<u>\$ 176,750</u>	<u>\$ 327,360</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, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 6,443	\$ 5,147
Unrealized gain on investments	6,240	4,467
Realized gain on investments	<u>638</u>	<u>13,489</u>
Total	<u>\$ 13,321</u>	<u>\$ 23,103</u>

NOTE 8. 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, 2019 and 2018. 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 06/30/19 Using</u> <u>Quoted Prices</u>		
	<u>Total</u>	<u>in Active</u> <u>Markets for</u> <u>Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Mutual funds:				
Fixed income	\$ 55,022	\$ 55,022	\$ -	\$ -
Equity	108,343	108,343	-	-
	<u>163,365</u>	<u>163,365</u>	<u>-</u>	<u>-</u>
Common stocks - large cap	5,986	5,986	-	-
Money market	7,399	-	7,399	-
Total	<u>\$ 176,750</u>	<u>\$ 169,351</u>	<u>\$ 7,399</u>	<u>\$ -</u>

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Fair Value Measurements at 06/30/18 Using</u>			
		<u>Quoted Prices</u>		
		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	\$ 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>

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 9. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Perpetual in nature	\$ 10,000	\$ 10,000
Time restricted	256,789	157,029
Purpose restricted:		
Special Event	151,950	176,478
Workplace Mentoring	55,000	5,000
Rochelle Lee Teacher Award	10,000	-
Total	<u>\$ 483,739</u>	<u>\$ 348,507</u>

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

NOTE 10. LINE OF CREDIT

WITS maintained a line of credit during the years ended June 30, 2019 and 2018 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, 2019 or 2018.

NOTE 11. 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, 2019 and 2018 was \$56,838 and \$56,422 respectively.

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

Year ending June 30,	
2020	\$ 49,759
2021	51,028
2022	52,301
2023	53,625
2024	54,954
Thereafter	<u>168,163</u>
Total	<u>\$ 429,830</u>

NOTE 12. 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 \$25,679 and \$24,800 for the years ended June 30, 2019 and 2018, respectively. Participants pay for all costs of the plan's administration.

NOTE 13. COMMITMENTS

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