

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows 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, 2020, WITS adopted new accounting standards clarifying the scope and accounting guidance for contributions received and contributions made. Our opinion is not modified with respect to this matter.

Legacy Professionals LLP

Westchester, Illinois

January 28, 2021

WORKING IN THE SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 524,577	\$ 366,274
ACCOUNTS RECEIVABLE	-	5,156
PLEDGES RECEIVABLE - NET	406,378	321,788
PREPAID EXPENSES	13,298	17,857
INVESTMENTS	173,166	176,750
PROPERTY AND EQUIPMENT		
Furniture and equipment	50,808	48,969
Less accumulated depreciation	(47,445)	(45,918)
Net property and equipment	3,363	3,051
Total assets	<u>\$ 1,120,782</u>	<u>\$ 890,876</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,504	\$ 89,958
Accrued payroll and vacation	-	569
Deferred revenue	-	24,700
Deferred rent	24,404	22,742
PPP loan payable	204,750	-
Total liabilities	<u>237,658</u>	<u>137,969</u>
NET ASSETS		
Without donor restrictions	370,246	269,168
With donor restrictions	512,878	483,739
Total net assets	<u>883,124</u>	<u>752,907</u>
Total liabilities and net assets	<u>\$ 1,120,782</u>	<u>\$ 890,876</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	\$ 463,674	\$ 763,519	\$ 1,227,193	\$ 425,837	\$ 813,618	\$ 1,239,455
In-kind contributions	34,450	-	34,450	49,367	-	49,367
Special events	506,982	96,500	603,482	484,630	151,950	636,580
Less: special event expenses	(206,841)	-	(206,841)	(206,435)	-	(206,435)
Investment income - net	8,915	-	8,915	13,321	-	13,321
Net assets released from restrictions	830,880	(830,880)	-	830,336	(830,336)	-
Total revenue	<u>1,638,060</u>	<u>29,139</u>	<u>1,667,199</u>	<u>1,597,056</u>	<u>135,232</u>	<u>1,732,288</u>
EXPENSES						
Program expenses						
Mid-day Mentoring	276,637	-	276,637	292,938	-	292,938
Workplace Mentoring	286,545	-	286,545	389,380	-	389,380
Classroom Reading Tutors	60,976	-	60,976	77,250	-	77,250
WITS on the Weekend	58,138	-	58,138	68,764	-	68,764
WITS Kindergarten	84,343	-	84,343	62,145	-	62,145
WITSummer Early Childhood	131,393	-	131,393	114,576	-	114,576
WITS on Campus	-	-	-	23,490	-	23,490
Rochelle Lee Teacher Award	251,497	-	251,497	288,306	-	288,306
Total program expenses	<u>1,149,529</u>	<u>-</u>	<u>1,149,529</u>	<u>1,316,849</u>	<u>-</u>	<u>1,316,849</u>
Management and general	193,737	-	193,737	161,185	-	161,185
Fundraising	193,716	-	193,716	252,136	-	252,136
Total expenses	<u>1,536,982</u>	<u>-</u>	<u>1,536,982</u>	<u>1,730,170</u>	<u>-</u>	<u>1,730,170</u>
CHANGE IN NET ASSETS	101,078	29,139	130,217	(133,114)	135,232	2,118
NET ASSETS						
Beginning 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>
End of year	<u>\$ 370,246</u>	<u>\$ 512,878</u>	<u>\$ 883,124</u>	<u>\$ 269,168</u>	<u>\$ 483,739</u>	<u>\$ 752,907</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 130,217	\$ 2,118
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation	1,527	2,843
Realized and unrealized (gain) on investment	(5,066)	(6,878)
Amortization of deferred rent credit	1,662	2,882
Donated investments	(59,262)	(65,839)
Changes in assets and liabilities		
Accounts receivable	5,156	(5,156)
Pledges receivable - net	(84,590)	(144,759)
Prepaid expenses	4,559	(365)
Accounts payable and accrued expenses	(81,454)	72,461
Accrued payroll and vacation	(569)	(463)
Deferred revenue	(24,700)	(37,135)
Net cash (used in) operating activities	<u>(112,520)</u>	<u>(180,291)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	71,501	229,671
Purchases of investments	(3,589)	(6,344)
Purchase of property and equipment	(1,839)	(2,611)
Net cash provided by investing activities	<u>66,073</u>	<u>220,716</u>
Cash flows from financing activities		
Proceeds from loan	<u>204,750</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	158,303	40,425
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>366,274</u>	<u>325,849</u>
End of year	<u>\$ 524,577</u>	<u>\$ 366,274</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	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	Rochelle Lee Teacher Award				
Salaries	\$ 163,716	\$ 173,061	\$ 43,341	\$ 41,071	\$ 60,023	\$ 92,100	\$ 132,223	\$ 705,535	\$ 122,450	\$ 131,947	\$ 959,932
Printing and publications	-	-	-	-	-	-	-	-	-	8,430	8,430
Bus transportation	44,461	39,355	-	-	-	-	-	83,816	-	-	83,816
Volunteer training and appreciation	103	109	27	26	38	58	84	445	-	-	445
Professional development	1,917	1,982	690	674	806	836	1,310	8,215	-	630	8,845
Insurance	2,839	3,001	752	712	1,041	1,597	2,293	12,235	2,124	2,288	16,647
Payroll taxes	12,274	14,034	3,249	3,079	4,500	9,141	9,913	56,190	9,180	9,892	75,262
Employee benefits	16,317	17,248	4,319	4,093	5,982	9,179	13,178	70,316	12,204	13,150	95,670
Professional fees	8,183	9,336	1,376	1,809	2,201	2,864	7,532	33,301	29,395	5,128	67,824
Office and program supplies	6,125	7,223	1,655	1,585	2,275	4,071	4,903	27,837	243	243	28,323
Telephone	1,424	1,505	377	357	522	801	1,150	6,136	1,065	1,148	8,349
Postage and delivery	94	100	25	24	35	53	76	407	70	122	599
Rent	9,623	10,172	2,547	2,414	3,528	5,413	7,772	41,469	7,197	7,755	56,421
Electricity	655	692	173	164	240	369	529	2,822	490	528	3,840
Depreciation	261	275	69	65	95	147	210	1,122	195	210	1,527
Consultant fees	4,387	4,637	1,161	1,101	1,608	2,468	26,361	41,723	2,212	2,383	46,318
Bank charges	-	-	-	-	-	-	-	-	4,761	4,518	9,279
Equipment maintenance	643	667	267	181	308	307	567	2,940	382	646	3,968
Marketing and public relations	1,474	1,559	390	370	541	829	1,191	6,354	1,103	1,188	8,645
Membership dues and subscriptions	168	168	168	168	168	168	-	1,008	168	2,184	3,360
Employee transportation	1,973	1,421	390	245	432	992	796	6,249	498	1,326	8,073
Book awards	-	-	-	-	-	-	41,409	41,409	-	-	41,409
Special event expenses	-	-	-	-	-	-	-	-	-	206,841	206,841
Total expenses by function	<u>276,637</u>	<u>286,545</u>	<u>60,976</u>	<u>58,138</u>	<u>84,343</u>	<u>131,393</u>	<u>251,497</u>	<u>1,149,529</u>	<u>193,737</u>	<u>400,557</u>	<u>1,743,823</u>
Less:											
Special event expenses	-	-	-	-	-	-	-	-	-	(206,841)	(206,841)
Total	<u>\$ 276,637</u>	<u>\$ 286,545</u>	<u>\$ 60,976</u>	<u>\$ 58,138</u>	<u>\$ 84,343</u>	<u>\$ 131,393</u>	<u>\$ 251,497</u>	<u>\$ 1,149,529</u>	<u>\$ 193,737</u>	<u>\$ 193,716</u>	<u>\$ 1,536,982</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
Special event expenses	-	-	-	-	-	-	-	-	-	-	206,435	206,435
Total expenses by function	292,938	389,380	77,250	68,764	62,145	114,576	23,490	288,306	1,316,849	161,185	458,571	1,936,605
Less:												
Special event expenses	-	-	-	-	-	-	-	-	-	-	(206,435)	(206,435)
Total	<u>\$ 292,938</u>	<u>\$ 389,380</u>	<u>\$ 77,250</u>	<u>\$ 68,764</u>	<u>\$ 62,145</u>	<u>\$ 114,576</u>	<u>\$ 23,490</u>	<u>\$ 288,306</u>	<u>\$ 1,316,849</u>	<u>\$ 161,185</u>	<u>\$ 252,136</u>	<u>\$ 1,730,170</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1. DESCRIPTION OF THE ORGANIZATION

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 years ended June 30, 2020 and 2019, WITS served students in 81 and 82 schools, respectively, through activating 1,364 and 1,549 volunteers, respectively, and providing professional development for 135 and 151 teachers, respectively. WITS worked with 65 and 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). WITS on the Weekend was suspended in March 2020, due to COVID-19.

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 June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, which was effective for WITS's financial statements for the year ended June 30, 2020. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improvement of guidance to better distinguish between conditional and unconditional contributions. There was no effect on net assets in connection with the implementation of this ASU.

In May 2014, FASB issued a new accounting standard, ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing and uncertainty of the revenue recorded. Nonprofit organizations were originally expected to apply the new standard for annual periods beginning after December 14, 2018. On June 3, 2020, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic, FASB deferred the effective date of FASB ASC 606 for certain entities that have not yet made financial statements available for issuance that reflect the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019. Accordingly, WITS has deferred the adoption of FASB ASC 606 for one year.

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, wherein donors stipulate 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, 2020 and 2019, WITS had \$10,000 in net assets with perpetual donor restrictions and \$502,878 and \$473,739 respectively, in net assets with temporary donor-imposed restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Because the pledges receivable include amounts that will be collected over a period longer than one year, amounts have been discounted to determine their present value. 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, 2020 or 2019.

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 five years. Depreciation expense totaled \$1,527 and \$2,843 for the years ended June 30, 2020 and 2019, 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, 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - Advertising costs are expensed as incurred. Advertising and promotion expenses totaled \$1,998 and \$14,212 for the years ended June 30, 2020 and 2019, respectively.

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

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through January 28, 2021, 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 financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, WITS forecasts its future cash flows and monitors its liquidity regularly. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WITS considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures. Financial assets available for general expenditures within one year at June 30, 2020 and 2019 comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 524,577	\$ 366,274
Accounts and pledges receivable - net due within a year	<u>173,956</u>	<u>179,216</u>
	698,533	545,490
Less amounts unavailable for use within one year:		
Net assets with perpetual donor restrictions	<u>(10,000)</u>	<u>(10,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 688,533</u>	<u>\$ 535,490</u>

WITS has certain donor-restricted net assets that are available for general expenditures within one year, because the restrictions on the net assets are expected to be met by conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. In addition to financial assets available to meet general expenditures over the next 12 months, WITS operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. WITS also has a line of credit available to meet short-term needs, as described in Note 10.

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. 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 6. PLEDGES RECEIVABLE

Promises to give that cover multiple years have been discounted using a discount rate ranging from .16% to 1.75% as of June 30, 2020 and 2019. The following presents a summary of multi-year pledges receivable as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Pledges receivable in less than one year	\$ 173,956	\$ 179,216
Pledges receivable in one to five years	<u>233,705</u>	<u>150,222</u>
	407,661	329,438
Discount for present value	<u>(1,283)</u>	<u>(7,650)</u>
Total	<u>\$ 406,378</u>	<u>\$ 321,788</u>

NOTE 7. INVESTMENTS

Investments as of June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 166,349	\$ 163,365
Common stocks	-	5,986
Money market	<u>6,817</u>	<u>7,399</u>
Total	<u>\$ 173,166</u>	<u>\$ 176,750</u>

Investment income for the years ended June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 3,849	\$ 6,443
Unrealized gain on investments	3,030	6,240
Realized gain on investments	<u>2,036</u>	<u>638</u>
Total	<u>\$ 8,915</u>	<u>\$ 13,321</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. The current economic environment has increased the degree of uncertainty.

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, 2020 and 2019. 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 06/30/20 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	\$ 56,210	\$ 56,210	\$ -	\$ -
Equity	110,139	110,139	-	-
	<u>166,349</u>	<u>166,349</u>	<u>-</u>	<u>-</u>
Money market fund	6,817	-	6,817	-
Total	<u>\$ 173,166</u>	<u>\$ 166,349</u>	<u>\$ 6,817</u>	<u>\$ -</u>

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Total</u>	<u>Fair Value Measurements at 06/30/19 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	\$ 55,022	\$ 55,022	\$ -	\$ -
Equity	<u>108,343</u>	<u>108,343</u>	<u>-</u>	<u>-</u>
	163,365	163,365	-	-
Common stocks - large cap	5,986	5,986	-	-
Money market fund	<u>7,399</u>	<u>-</u>	<u>7,399</u>	<u>-</u>
Total	<u>\$ 176,750</u>	<u>\$ 169,351</u>	<u>\$ 7,399</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, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Perpetual in nature	\$ 10,000	\$ 10,000
Time restricted	286,916	256,789
Purpose restricted	<u>215,962</u>	<u>216,950</u>
Total	<u>\$ 512,878</u>	<u>\$ 483,739</u>

The net assets with perpetual restrictions 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, 2020 and 2019 that is due on demand. The maximum borrowing available under the line of credit is \$75,000. Interest is payable monthly at the rate of 6.25%. There was no outstanding balance on this line of credit as of either June 30, 2020 or 2019.

NOTE 11. LEASES

WITS leases office space from the Chicago Literacy Alliance under a noncancellable operating lease agreement 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, 2020 and 2019 was \$56,421 and \$56,838 respectively.

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

Year ending June 30,	
2021	\$ 51,028
2022	52,301
2023	53,625
2024	54,954
2025	56,333
Thereafter	<u>111,830</u>
Total	<u>\$ 380,071</u>

NOTE 12. RETIREMENT PLAN

WITS maintains a defined contribution 403(b) retirement plan to provide retirement benefits for all eligible employees. For the years ended June 30, 2020 and 2019, WITS matched up to 3% of eligible compensation, as defined by the plan. Contributions totaled \$24,196 and \$25,679 for the years ended June 30, 2020 and 2019, 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 which would require WITS to pay certain amounts if the event were to be canceled.

NOTE 14. IMPACT OF COVID-19 AND NEWLY ENACTED LEGISLATION

As a result of the spread of the COVID-19 pandemic, economic uncertainties have arisen which may negatively impact the operations and financial condition of WITS. Although the potential impact and duration of the pandemic is unknown as of the date the financial statements were available to be issued, WITS is taking aggressive steps to ensure that it can continue to function and mitigate the effects of the pandemic. This includes the use of teleworking capability for all staff and closely monitoring all expenses.

In the past nine months, WITS has approached evolving challenges with passion, creativity, and an unflinching belief in our mission to promote a love of reading in Chicago Public Schools.

- Only one month after suspending all WITS programs, we launched Empowering Readers at Home - a literacy resource page that included a portal for WITS mentors to submit encouraging messages to their partner students. Since April, over 320 messages have since been shared.
- The Rochelle Lee Teacher Award Summer Institute shifted to a virtual experience for 140 CPS educators. Workshop facilitators adjusted their curriculum content and structure to ensure workshops were accessible and meaningful to Awardees.
- WITS adapted our Early Childhood Summer Program (ECSP) to a free online learning space for pre-k through first grade students. WITS addressed the connectivity gap among our schools by partnering with the Chicago Public Library Foundation to print and deliver 4,000 copies of ECSP Activity Books to 81 libraries across Chicago.
- WITS' 2020-2021 Virtual Program brings together 2nd-6th grade students with volunteers for shared reading, mentorship, and community building. Teams of readers read aloud from EPIC!, a robust online library of children's books. We make sure that our virtual program is a positive and safe space for students to be themselves during this uncertain time.

WITS invested in the devices, software, and platform subscriptions necessary to create and deliver quality online resources and programs. While at home, WITS staff are able to facilitate virtual mentoring sessions, film video read-aloud of books, and produce engaging curricula for the benefit of the entire WITS community.

NOTE 14. IMPACT OF COVID-19 AND NEWLY ENACTED LEGISLATION (CONTINUED)

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in March 2020. The CARES Act is an approximately \$2 trillion emergency economic stimulus package in response to the coronavirus outbreak, which among other things contains numerous tax and emergency funding provisions.

In April 2020, WITS qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program established under the CARES Act and implemented by the U.S. Small Business Administration (SBA), for an aggregate principal amount of \$204,750. The loan provides for customary events of default, including those related to failure to make payment and breaches of representations. WITS may prepay the principal of the PPP loan at any time without incurring any prepayment charges. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs and covered occupancy expenses during the 24-week period beginning on the date of first disbursement of the PPP loan. Not more than 40% of the forgiven amount can be attributable to non-payroll costs. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. Although WITS believes that its use of the PPP loan will meet the conditions of forgiveness, it cannot assure its future adherence to the forgiveness criteria and that the PPP loan will be forgiven, in whole or in part.

In December 2020, the Consolidated Appropriations Act, 2021 was signed into law and contained numerous tax and other regulatory provisions related to nonprofit organizations. WITS is evaluating the impact of newly enacted legislation on its operations and cash flows.