

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

WORKING IN THE SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021 and 2020, and the related statements of activities, of functional expenses, and of cash flows 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, 2021 and 2020, 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.

Legacy Professionals LLP

Westchester, Illinois

January 14, 2022

WORKING IN THE SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 798,463	\$ 524,577
PLEDGES RECEIVABLE - NET	343,513	406,378
PREPAID EXPENSES	13,585	13,298
INVESTMENTS	209,581	173,166
PROPERTY AND EQUIPMENT		
Furniture and equipment	29,293	50,808
Less accumulated depreciation	(24,886)	(47,445)
Net property and equipment	4,407	3,363
Total assets	<u>\$ 1,369,549</u>	<u>\$ 1,120,782</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 7,114	\$ 8,504
Accrued payroll and vacation	-	-
Deferred revenue	5,850	-
Deferred rent	24,693	24,404
PPP loan payable	-	204,750
Total liabilities	<u>37,657</u>	<u>237,658</u>
NET ASSETS		
Without donor restrictions	864,230	370,246
With donor restrictions	467,662	512,878
Total net assets	<u>1,331,892</u>	<u>883,124</u>
Total liabilities and net assets	<u>\$ 1,369,549</u>	<u>\$ 1,120,782</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	\$ 890,659	\$ 481,639	\$ 1,372,298	\$ 463,674	\$ 763,519	\$ 1,227,193
Other contribution	204,750	-	204,750	-	-	-
In-kind contributions	812,248	-	812,248	34,450	-	34,450
Special events	143,053	114,150	257,203	506,982	96,500	603,482
Less: special event expenses	(18,352)	-	(18,352)	(206,841)	-	(206,841)
Investment income - net	38,016	-	38,016	8,915	-	8,915
Net assets released from restrictions	641,005	(641,005)	-	830,880	(830,880)	-
Total revenue	<u>2,711,379</u>	<u>(45,216)</u>	<u>2,666,163</u>	<u>1,638,060</u>	<u>29,139</u>	<u>1,667,199</u>
EXPENSES						
Program expenses						
Mid-day Mentoring	391,376	-	391,376	276,637	-	276,637
Workplace Mentoring	391,384	-	391,384	286,545	-	286,545
Classroom Reading Tutors	-	-	-	60,976	-	60,976
WITS on the Weekend	-	-	-	58,138	-	58,138
WITS Kindergarten	210,135	-	210,135	84,343	-	84,343
WITSummer Early Childhood	253,254	-	253,254	131,393	-	131,393
Rochelle Lee Teacher Award	325,563	-	325,563	251,497	-	251,497
Total program expenses	1,571,712	-	1,571,712	1,149,529	-	1,149,529
Management and general	280,866	-	280,866	193,737	-	193,737
Fundraising	364,817	-	364,817	193,716	-	193,716
Total expenses	<u>2,217,395</u>	<u>-</u>	<u>2,217,395</u>	<u>1,536,982</u>	<u>-</u>	<u>1,536,982</u>
CHANGE IN NET ASSETS	493,984	(45,216)	448,768	101,078	29,139	130,217
NET ASSETS						
Beginning 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>
End of year	<u>\$ 864,230</u>	<u>\$ 467,662</u>	<u>\$ 1,331,892</u>	<u>\$ 370,246</u>	<u>\$ 512,878</u>	<u>\$ 883,124</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program					Total Program	Management and General	Fundraising	Total
	Mid-day Mentoring	Workplace Mentoring	WITS Kindergarten	WITSummer Early Childhood	Rochelle Lee Teacher Award				
Salaries	\$ 171,813	\$ 171,813	\$ 92,674	\$ 99,447	\$ 111,900	\$ 647,647	\$ 111,096	\$ 158,100	\$ 916,843
Printing and publications	-	-	-	-	-	-	-	6,959	6,959
Professional development	4,179	4,179	2,408	2,544	2,611	15,921	365	365	16,651
Insurance	2,943	2,943	1,587	1,703	1,917	11,093	1,902	2,708	15,703
Payroll taxes	12,647	12,647	6,822	7,320	8,237	47,673	8,177	11,638	67,488
Employee benefits	18,268	18,268	9,853	10,573	11,897	68,859	11,813	16,809	97,481
Professional fees	157,160	157,160	83,025	88,481	103,454	589,280	125,862	141,581	856,723
Office and program supplies	4,831	4,839	2,631	31,387	3,177	46,865	-	601	47,466
Telephone	2,357	2,357	1,271	1,364	1,535	8,884	1,526	2,169	12,579
Postage and delivery	48	48	26	28	31	181	30	1,631	1,842
Rent	9,636	9,636	5,198	5,578	6,276	36,324	6,231	8,867	51,422
Electricity	393	393	212	227	256	1,481	254	362	2,097
Depreciation	395	395	213	229	257	1,489	256	364	2,109
Consultant fees	3,249	3,249	1,753	1,881	23,516	33,648	2,102	2,990	38,740
Bank charges	-	-	-	-	-	-	5,447	5,285	10,732
Equipment maintenance	1,942	1,942	1,294	1,294	1,295	7,767	2,586	2,587	12,940
Marketing and public relations	271	271	146	157	177	1,022	174	249	1,445
Membership dues and subscriptions	762	762	762	762	-	3,048	3,045	1,522	7,615
Employee transportation	482	482	260	279	315	1,818	-	30	1,848
Book awards	-	-	-	-	48,712	48,712	-	-	48,712
Special event expenses	-	-	-	-	-	-	-	18,352	18,352
Total expenses by function	391,376	391,384	210,135	253,254	325,563	1,571,712	280,866	383,169	2,235,747
Less:									
Special event expenses	-	-	-	-	-	-	-	(18,352)	(18,352)
Total	<u>\$ 391,376</u>	<u>\$ 391,384</u>	<u>\$ 210,135</u>	<u>\$ 253,254</u>	<u>\$ 325,563</u>	<u>\$ 1,571,712</u>	<u>\$ 280,866</u>	<u>\$ 364,817</u>	<u>\$ 2,217,395</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	276,637	286,545	60,976	58,138	84,343	131,393	251,497	1,149,529	193,737	400,557	1,743,823
Less:											
Special event expenses	-	-	-	-	-	-	-	-	-	(206,841)	(206,841)
Total	\$ 276,637	\$ 286,545	\$ 60,976	\$ 58,138	\$ 84,343	\$ 131,393	\$ 251,497	\$ 1,149,529	\$ 193,737	\$ 193,716	\$ 1,536,982

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 448,768	\$ 130,217
Adjustments to reconcile change in net assets to net cash provide by (used in) operating activities		
Depreciation	2,109	1,527
Realized and unrealized (gain) on investment	(36,148)	(5,066)
Amortization of deferred rent credit	289	1,662
Donated investments	(54,460)	(59,262)
Changes in assets and liabilities		
Accounts receivable	-	5,156
Pledges receivable - net	62,865	(84,590)
Prepaid expenses	(287)	4,559
Accounts payable and accrued expenses	(1,390)	(81,454)
Accrued payroll and vacation	-	(569)
Deferred revenue	<u>5,850</u>	<u>(24,700)</u>
Net cash provided by (used in) operating activities	<u>427,596</u>	<u>(112,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	55,816	71,501
Purchases of investments	(1,623)	(3,589)
Purchase of property and equipment	<u>(3,153)</u>	<u>(1,839)</u>
Net cash provided by investing activities	<u>51,040</u>	<u>66,073</u>
Cash flows from financing activities		
Proceeds from loan	-	204,750
Loan forgiveness	<u>(204,750)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(204,750)</u>	<u>204,750</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	273,886	158,303
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>524,577</u>	<u>366,274</u>
End of year	<u>\$ 798,463</u>	<u>\$ 524,577</u>

See accompanying notes to financial statements.

WORKING IN THE SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, WITS served students in 79 and 81 schools, respectively, through activating 482 and 1,364 volunteers, respectively, and providing professional development for 140 and 135 teachers, respectively. WITS worked with 39 and 65 partnering organizations including corporations, universities, and city agencies. The following is an overview of the programs in the WITS portfolio:

WITS Virtual Program 2020 and 2021

WITS Virtual Program began because of the ongoing COVID19 pandemic. It brings together students and volunteers for a year of mentorship, shared reading, and community building. This program incorporates whole group activities and breakout rooms, where students and mentors form teams of readers and enjoy books using EPIC!, a robust online library. This program not only helps students practice literacy skills, it also provides a consistent space for students to be themselves, connect with peers, and have fun during a time of change and uncertainty. This program model encompassed all age groups that WITS traditionally serves in its in-person programs.

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.

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.

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 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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, 2021 and 2020, WITS had \$10,000 in net assets with perpetual donor restrictions and \$457,662 and \$502,878 respectively, in net assets with temporary donor-imposed 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. Because the pledges receivable includes 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, 2021 or 2020.

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 \$2,109 and \$1,527 for the years ended June 30, 2021 and 2020, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Other Contributions - WITS was granted a \$204,750 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. WITS initially recorded the loan as a loan payable at June 30, 2020, and subsequently recognized revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. As of June 30, 2021, \$204,750 is recognized as revenue.

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. In addition, during the year ended June 30, 2021, WITS received in-kind consulting services of \$761,000 for strategic planning.

Advertising - Advertising costs are expensed as incurred. Advertising and promotion expenses totaled \$0 and \$1,998 for the years ended June 30, 2021 and 2020, 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.

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 January 14, 2022, 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, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

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, 2021 and 2020 comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 798,463	\$ 524,577
Accounts and pledges receivable - net due within a year	<u>186,939</u>	<u>173,956</u>
	985,402	698,533
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>\$ 975,402</u>	<u>\$ 688,533</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 .18% as of June 30, 2021 and 2020. The following presents a summary of multi-year pledges receivable as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges receivable in less than one year	\$ 186,939	\$ 173,956
Pledges receivable in one to five years	<u>158,500</u>	<u>233,705</u>
	345,439	407,661
Discount for present value	<u>(1,926)</u>	<u>(1,283)</u>
Total	<u>\$ 343,513</u>	<u>\$ 406,378</u>

NOTE 7. INVESTMENTS

Investments as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 201,679	\$ 166,349
Money market	<u>7,902</u>	<u>6,817</u>
Total	<u>\$ 209,581</u>	<u>\$ 173,166</u>

NOTE 7. INVESTMENTS (CONTINUED)

Investment income for the years ended June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 1,868	\$ 3,849
Unrealized gain on investments	36,113	3,030
Realized gain on investments	<u>35</u>	<u>2,036</u>
Total	<u>\$ 38,016</u>	<u>\$ 8,915</u>

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

NOTE 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 |

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level within the fair value hierarchy, WITS' investment assets at fair value as of June 30, 2021 and 2020. 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>Total</u>	<u>Fair Value Measurements at 06/30/21 Using Quoted Prices</u>		
		<u>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	\$ 75,821	\$ 75,821	\$ -	\$ -
Equity	<u>125,858</u>	<u>125,858</u>	<u>-</u>	<u>-</u>
	201,679	201,679	-	-
Money market fund	<u>7,902</u>	<u>-</u>	<u>7,902</u>	<u>-</u>
Total	<u>\$ 209,581</u>	<u>\$ 201,679</u>	<u>\$ 7,902</u>	<u>\$ -</u>

	<u>Total</u>	<u>Fair Value Measurements at 06/30/20 Using Quoted Prices</u>		
		<u>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	\$ 56,210	\$ 56,210	\$ -	\$ -
Equity	<u>110,139</u>	<u>110,139</u>	<u>-</u>	<u>-</u>
	166,349	166,349	-	-
Money market fund	<u>6,817</u>	<u>-</u>	<u>6,817</u>	<u>-</u>
Total	<u>\$ 173,166</u>	<u>\$ 166,349</u>	<u>\$ 6,817</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.

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, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Perpetual in nature	\$ 10,000	\$ 10,000
Time restricted	254,770	286,916
Purpose restricted	<u>202,892</u>	<u>215,962</u>
Total	<u>\$ 467,662</u>	<u>\$ 512,878</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, 2021 and 2020 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, 2021 and 2020.

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, 2021 and 2020 was \$51,422 and \$56,421 respectively.

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

Year ending June 30,	
2022	\$ 52,301
2023	53,625
2024	54,954
2025	56,333
Thereafter	<u>111,830</u>
Total	<u>\$ 329,043</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, 2021 and 2020, WITS matched up to 3% of eligible compensation, as defined by the plan. Contributions totaled \$24,306 and \$24,196 for the years ended June 30, 2021 and 2020, 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 COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization, though the potential impact and duration is unknown as of the date the financial statements were available to be issued.

Several major legislative relief packages were enacted in response to the coronavirus outbreak, containing numerous tax, emergency funding and other regulatory provisions. WITS continues to evaluate the impact of newly enacted legislation on its operations and cash flows.

- The challenges of the past year motivated our staff to find innovative ways of ensuring our partner schools continue to have the literacy resources they need. As educators recalibrate support services to mitigate pandemic-induced unfinished learning, WITS is prepared to deliver accessible, relevant, virtual literacy enrichment programs.
- Launched in April 2020, Empowering Readers at Home is a resource page that includes videos of WITS staff reading books aloud and a selection of bilingual, literacy-based worksheets and activities for each grade level. This portion of our website also hosts WITS Virtual Early Childhood Summer Program (ECSP) and WITS Kindergarten (WITSK) Online – expanded resource libraries adapted from our in-person curricula. All resources remain available for educators and families to use to supplement classroom learning.
- The Rochelle Lee Teacher Award (RLTA) Summer Institute was delivered virtually again this year, providing 152 CPS educators with peer-led literacy professional development and CPDUs at no cost. New for 2021-2022, all CPS educators were welcome to participate without an application.
- WITS Awarded 120 teachers from 22 Study Groups based on a competitive application process – an increase of 40% from last year. Made up of 3-4 educators from a single school, RLTA Study Groups identify a literacy goal or project to work on for the entire school year, driving school-wide, sustainable literacy best practices.

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

- WITS' 2021-2022 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. In 2020-2021, Virtual Program served 481 students from 20 schools with the support of 479 mentors.
- Beginning December 1, 2021, WITS will require all volunteers (Board of Directors, Associates Board, in-person school mentors, staff, and, educators) to be fully vaccinated against COVID-19 to participate in any in-person events, professional development, and programs as part of WITS. WITS is committed to the health and safety of all our mentors, volunteers, school communities, and staff. By mandating that all those who are eligible are vaccinated to participate in WITS, we can protect each other and ensure consistent delivery of our mission.