

**WORKING IN THE SCHOOLS, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2022 AND 2021**

**WORKING IN THE SCHOOLS, INC.**  
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# WSDD

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## WSDD CPAs, Ltd. Certified Public Accountants & Consultants

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
WORKING IN THE SCHOOLS, INC.  
Chicago, Illinois

#### **Opinion**

We have audited the accompanying financial statements of WORKING IN THE SCHOOLS, INC., a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WORKING IN THE SCHOOLS, INC. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WORKING IN THE SCHOOLS, INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 2, during the year ended June 30, 2022, WORKING IN THE SCHOOLS, INC. adopted a new accounting standard relating to accounting and financial reporting for contracts meeting the definition of a lease. Our opinion is not modified with respect to these matters.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WORKING IN THE SCHOOLS, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WORKING IN THE SCHOOLS, INC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WORKING IN THE SCHOOLS, INC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Prior Period Financial Statements**

The financial statements of WORKING IN THE SCHOOLS, INC. as of June 30, 2021 were audited by other auditors whose report dated January 14, 2022 expressed an unmodified opinion on those financial statements.

*WSDD CPAs, Ltd.*

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WSDD CPAs, Ltd.

Chicago, Illinois  
October 19, 2022

**WORKING IN THE SCHOOLS, INC.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

<b>ASSETS</b>		
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 882,155	\$ 798,463
Pledges receivable, net	341,745	343,513
Prepaid expenses	16,950	13,585
Investments	201,725	209,581
Property and equipment, net	2,383	4,407
Right of use asset	207,891	
Security deposit	<u>5,500</u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,658,349</u></b>	<b><u>\$ 1,369,549</u></b>
 <b>LIABILITES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,185	\$ 7,114
Deferred revenue	15,000	5,850
Lease liability	207,891	
Deferred rent		<u>24,693</u>
Total Liabilities	<u>227,076</u>	<u>37,657</u>
 <b>NET ASSETS</b>		
Without donor restrictions	1,007,028	864,230
With donor restrictions	<u>424,245</u>	<u>467,662</u>
Total Net Assets	<u>1,431,273</u>	<u>1,331,892</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,658,349</u></b>	<b><u>\$ 1,369,549</u></b>

**WORKING IN THE SCHOOLS, INC.**  
**Statements of Activities**  
**For the Years Ended June 30, 2022 and 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Contributions	\$ 689,325	\$ 693,301	\$ 1,382,626	\$ 890,659	\$ 481,639	\$ 1,372,298
Other contribution				204,750		204,750
In-kind contributions	81,627		81,627	812,248		812,248
Special events, net	64,644	72,500	137,144	124,701	114,150	238,851
Net investment income (loss)	(19,874)		(19,874)	38,016		38,016
Net assets released from restriction	809,218	(809,218)		641,005	(641,005)	
Total Revenue and Other Support	<u>1,624,940</u>	<u>(43,417)</u>	<u>1,581,523</u>	<u>2,711,379</u>	<u>(45,216)</u>	<u>2,666,163</u>
<b>EXPENSES</b>						
Program expenses						
Mid-day Mentoring	243,558		243,558	391,376		391,376
Worplace Mentoring	243,799		243,799	391,384		391,384
WITS Kindergarten	128,682		128,682	210,135		210,135
WITS Summer Early Childhood	141,076		141,076	253,254		253,254
Rochelle Lee Teacher Award	244,062		244,062	325,563		325,563
Total program expenses	1,001,177		1,001,177	1,571,712		1,571,712
Management and general	229,725		229,725	280,866		280,866
Fundraising	251,240		251,240	364,817		364,817
Total Expenses	<u>1,482,142</u>		<u>1,482,142</u>	<u>2,217,395</u>		<u>2,217,395</u>
<b>CHANGE IN NET ASSETS</b>	142,798	(43,417)	99,381	493,984	(45,216)	448,768
<b>NET ASSETS</b>						
Beginning of year	864,230	467,662	1,331,892	370,246	512,878	883,124
End of year	<u>\$ 1,007,028</u>	<u>\$ 424,245</u>	<u>\$ 1,431,273</u>	<u>\$ 864,230</u>	<u>\$ 467,662</u>	<u>\$ 1,331,892</u>

See independent auditors' report and notes to financial statements.

**WORKING IN THE SCHOOLS, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
**With Comparative Totals for the Year Ended June 30, 2021**

	Program						Management and General	Fundraising	Total	
	Mid-day Mentoring	Workplace Mentoring	WITS Kindergarten	WITS Summer Early Childhood	Rochelle Lee Teacher Award	Total Program			2022	2021
Salaries	\$ 168,990	\$ 168,990	\$ 90,734	\$ 94,577	\$ 118,833	\$ 642,124	\$ 139,172	\$ 168,822	\$ 950,118	\$ 916,843
Printing and publications	532	532	285	298	524	2,171			2,171	6,959
Professional development	1,316	1,316	707	737	925	5,001		2,742	7,743	16,651
Insurance	2,993	2,993	1,607	1,675	2,105	11,373	2,465	2,990	16,828	15,703
Payroll taxes	12,707	12,707	6,823	7,112	8,936	48,285	10,465	12,695	71,445	67,488
Employee benefits	18,578	18,578	9,975	10,397	13,064	70,592	15,300	18,559	104,451	97,481
Professional fees	19,584	19,584	8,835	8,659	14,533	71,195	43,132	16,154	130,481	856,723
Office and program supplies	4,473	3,535	1,777	9,467	2,145	21,397	1,982	2,404	25,783	47,466
Telephone	1,282	1,282	688	717	901	4,870	1,056	1,281	7,207	12,579
Postage and delivery	17	17	9	10	12	65	14	2,399	2,478	1,842
Rent	3,798	3,798	2,039	2,125	2,670	14,430	3,128	3,794	21,352	51,422
Electricity	70	70	38	39	49	266	58	70	394	2,097
Depreciation	360	360	193	201	253	1,367	297	360	2,024	2,109
Consultant fees	4,085	4,085	2,193	2,286	32,023	44,672	3,364	4,081	52,117	38,740
Bank charges							3,913	3,913	7,826	10,732
Equipment maintenance	162	162	87	91	114	616	134	162	912	12,940
Marketing and public relations	249	249	134	140	175	947	205	5,233	6,385	1,445
Membership dues and subscriptions	468	468	468	468		1,872	1,870	935	4,677	7,615
Information technology	3,056	3,056	1,641	1,711	2,149	11,613	2,517	3,053	17,183	
Employee transportation	838	2,017	449	366	396	4,066	653	1,593	6,312	1,848
Book awards					44,255	44,255			44,255	48,712
Special event expenses								34,757	34,757	18,352
Total expenses by function	243,558	243,799	128,682	141,076	244,062	1,001,177	229,725	285,997	1,516,899	2,235,747
Less: Special event expenses								(34,757)	(34,757)	(18,352)
Total Expenses - 2022	\$ 243,558	\$ 243,799	\$ 128,682	\$ 141,076	\$ 244,062	\$ 1,001,177	\$ 229,725	\$ 251,240	\$ 1,482,142	
Total Expenses - 2021	\$ 391,376	\$ 391,384	\$ 210,135	\$ 253,254	\$ 325,563	\$ 1,571,712	\$ 280,866	\$ 364,817		\$ 2,217,395

**WORKING IN THE SCHOOLS, INC.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 99,381	\$ 448,768
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	2,024	2,109
Net (gain) loss on investments	19,958	(36,148)
Amortization of deferred rent credit	(24,693)	289
Donated investments	(45,216)	(54,460)
<i>Increase (decrease) in cash due to changes in:</i>		
Pledges receivable	1,768	62,865
Prepaid expenses	(3,365)	(287)
Security deposit	(5,500)	
Accounts payable and accrued expenses	(2,929)	(1,390)
Deferred revenue	9,150	5,850
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>50,578</u>	<u>427,596</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments, net	33,114	54,193
Purchases of property and equipment		(3,153)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>33,114</u>	<u>51,040</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Forgiveness of paycheck protection program loan		<u>(204,750)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	83,692	273,886
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>798,463</u>	<u>524,577</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 882,155</u>	<u>\$ 798,463</u>



**WORKING IN THE SCHOOLS, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

**Description of Programs** – Working in the Schools, Inc. (“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, 2022 and 2021, WITS served students in 34 and 79 schools, respectively, through activating 464 and 482 volunteers, respectively, and providing professional development for 107 and 140 teachers, respectively. WITS worked with 34 and 39 partnering organizations including corporations, universities, and city agencies. The following is an overview of the programs in the WITS portfolio:

**WITS Virtual Program 2021 and 2022:** WITS Virtual Program began because of the ongoing COVID-19 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.

**WITS Kindergarten:** The WITS Kindergarten (“WITSK”) program is a one-on-one reading program that takes place at Chicago public elementary schools (“CPS”). 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.

## **NOTE 1 - DESCRIPTION OF THE ORGANIZATION (Continued)**

### **Description of Programs (Continued)**

**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**

### **Basis 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, 2022 and 2021, WITS had \$10,000 in net assets with perpetual donor restrictions and \$414,245 and \$457,662, 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, 2022 or 2021.

### **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.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property and Equipment (continued)

Property and equipment consisted of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 16,443	\$ 29,293
Less: accumulated depreciation	<u>(14,060)</u>	<u>(24,886)</u>
Property and equipment, net	<u>\$ 2,383</u>	<u>\$ 4,407</u>

Depreciation expense totaled \$2,024 and \$2,109 for the years ended June 30, 2022 and 2021, 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.

### Leases

WITS determines if an arrangement is or contains a lease at inception. Leases are included in right of use (“ROU”) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. For operating leases, WITS uses an incremental monthly borrowing rate of 50 basis points over the weighted average lease term. Operating lease expense is recognized on a straight-line basis over the lease term. WITS does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

### 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 approved partner. The loan was uncollateralized and is fully guaranteed by the Federal government. WITS initially recorded the loan as a loan payable in prior fiscal years 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 was recognized as revenue.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **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 and Materials**

Contributions of services and materials are recognized at fair value if the services and materials 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. During the year ended June 30, 2021, WITS received in-kind consulting services of \$761,000 for strategic planning.

### **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.

### **Recently Adopted Accounting Standards**

In 2022, WITS adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. WITS elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, there was an increase in assets and liabilities in the statement of financial position in the amount of \$207,891 as of June 30, 2022 due to recording a right of use asset and corresponding lease liability. The adoption did not result in any impact to amounts reported in the statement of activities for the year ended June 30, 2022.

### NOTE 3 - LIQUIDITY AND AVAILABILITY

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, 2022 and 2021, 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, 2022 and 2021 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 882,155	\$ 798,463
Accounts and pledges receivable - net due within a year	<u>278,380</u>	<u>186,939</u>
Total financial assets	1,160,535	985,402
Less: Amounts unavailable for use within one year:		
Net assets with perpetual donor restrictions	<u>(10,000)</u>	<u>(10,000)</u>
Financial assets available to management for general expenditures within one year	<u>\$ 1,150,535</u>	<u>\$ 975,402</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.

### NOTE 4 - REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Revenue disaggregation

In accordance with ASU 2014-09, the Association disaggregates revenue from contracts with customers into major revenue streams and the timing of recognizing revenue. Revenue from contracts with customers disaggregated by category for the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Revenue recognized at a point in time:		
Special events, net	\$ 137,144	\$ 238,851

#### NOTE 4 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

##### Contract balances

WITS' contract liabilities include deferred revenue arising from annual special event revenue received in advance of the event. Deferred revenue was as follows at June 30,:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 5,850	\$
Revenue recognized during the year	(5,850)	
Revenue deferred until next year	<u>15,000</u>	<u>5,850</u>
Deferred revenue, end of year	<u>\$ 15,000</u>	<u>\$ 5,850</u>

#### 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 - 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 7 - PLEDGES RECEIVABLE

Promises to give that cover multiple years have been discounted using a discount rate ranging from 0.25% to 3.01% as of June 30, 2022 and 2021. The following presents a summary of multi-year pledges receivable as of June 30,:

	<u>2022</u>	<u>2021</u>
Pledges receivable in less than one year	\$ 278,380	\$ 186,939
Pledges receivable in one to five years	<u>80,017</u>	<u>158,500</u>
	358,397	345,439
Discount for present value	<u>(16,652)</u>	<u>(1,926)</u>
Total	<u>\$ 341,745</u>	<u>\$ 343,513</u>

## NOTE 8 - CONDITIONAL GRANT

During the year ended June 30, 2022, WITS was awarded a \$200,000 grant, which was conditional on WITS achieving certain goals and conditions at the grantor's discretion over the grant period ending June 30, 2023. Of the total grant amount, \$100,000 is withheld to pay for the second year of the grant contingent upon WITS meeting performance objectives. WITS recognized \$100,000 of the grant during the year ended June 30, 2022, as the conditions had been met.

## NOTE 9 - INVESTMENTS

Investments consisted of the following as of June 30,:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 180,659	\$ 201,679
Money market funds	17,068	7,902
Common stocks	3,998	
	<u>\$ 201,725</u>	<u>\$ 209,581</u>

Net investment income (loss) for the years ended June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 2,958	\$ 1,868
Unrealized gain / (loss) on investments	(22,860)	36,113
Realized gain on investments	28	35
	<u>\$ (19,874)</u>	<u>\$ 38,016</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 10 - 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:

*Level 1* - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. 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 and common stocks 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* - 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. Money market funds are valued at cost, which approximates their fair value.

*Level 3* - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. At June 30, 2022 and 2021, WITS had no Level 3 investments.

The following tables set forth WITS' investments measured at fair value on a recurring basis and the basis of measurement at:

		June 30, 2022		
Investments:	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Fixed income	\$ 72,855	\$ 72,855		
Equities	<u>107,804</u>	<u>107,804</u>		
	180,659	180,659		
Money market funds	17,068		17,068	
Common stocks	<u>3,998</u>	<u>3,998</u>		
	<u>\$ 201,725</u>	<u>\$ 184,657</u>	<u>\$ 17,068</u>	<u>\$</u>
		June 30, 2021		
Investments:	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Fixed income	\$ 75,821	\$ 75,821		
Equities	<u>125,858</u>	<u>125,858</u>		
	201,679	201,679		
Money market funds	<u>7,902</u>		<u>7,902</u>	
	<u>\$ 209,581</u>	<u>\$ 201,679</u>	<u>\$ 7,902</u>	<u>\$</u>

## NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Perpetual in nature	\$ 10,000	\$ 10,000
Time restricted	284,274	254,770
Purpose restricted	<u>129,971</u>	<u>202,892</u>
	<u>\$ 424,245</u>	<u>\$ 467,662</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 12 - LINE OF CREDIT

Prior to June 30, 2022, WITS maintained a line of credit that is due on demand. The maximum borrowing available under the line of credit was \$75,000 and interest was payable monthly at the rate of 6.25%. There was no outstanding balance on this line of credit as of June 30, 2021. The line of credit was closed during the year ended June 30, 2022.

## NOTE 13 - LEASES

WITS determines if an arrangement is a lease at the inception of a contract and recognizes the operating lease expense on a straight-line basis over the lease term. During the year, WITS entered into an agreement to lease office space from Vestmark, Inc. under a noncancellable operating lease agreement expiring December 31, 2025. Rent expense is recognized on a straight-line basis.

Operating lease right of use asset and lease liability, as of June 30, 2022, were as follows:

	<u>2022</u>
Right of use asset:	
Operating lease asset	\$ 207,891
Lease liability:	
Current operating lease liability	\$ 55,023
Noncurrent operating lease liability	<u>152,868</u>
Total operating lease liability	<u>\$ 207,891</u>

For the year ended June 30, 2022, the weighted average remaining lease term was 3.5 years and the weighted average discount rate of 6.0%.

**NOTE 13 - LEASES (Continued)**

The maturities of the lease liability as of June 30, 2022 were as follows:

Year ending June 30,	
2023	\$ 66,000
2024	66,000
2025	66,000
2026	<u>33,000</u>
Total lease payments	231,000
Less: effects of discounting	<u>(23,109)</u>
	<u>\$ 207,891</u>

Total rent expense for the years ended June 30, 2022 and 2021 was \$21,352 and \$51,422 respectively. Due to the termination of WITS' previous rental agreement effective during the year, amortization of deferred rent liability resulted in a \$24,693 benefit to rent expense during the year ended June 30, 2022.

During the years ended June 30, 2022 and 2021, WITS paid cash of \$46,045 and \$49,759 included in operating cash flows from operating leases. During the year ended June 30, 2022, non-cash additions to right of use assets obtained from new operating lease liabilities were \$221,140. During the year ended June 30, 2022, amortization of right of use assets and operating lease liabilities included in rent expense were both \$13,249.

**NOTE 14 - 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, 2022 and 2021, WITS matched up to 3% of eligible compensation, as defined by the plan. Contributions totaled \$19,008 and \$24,306 for the years ended June 30, 2022 and 2021, respectively. Participants pay for all costs of the plan's administration.

**NOTE 15 - CONTRACTUAL COMMITMENTS**

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

## **NOTE 16 - COVID-19**

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 COVID-19 pandemic motivated our staff to find innovative ways of ensuring our partner schools continue to have the literacy resources they need. As educators recalibrated 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 and WITS Kindergarten 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 Summer Institute was delivered virtually for the second year in a row beginning June 2021. 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.
- WITS' 2022-2023 Virtual Program, created and implemented in September 2020 as a result of the pandemic, brought together 2<sup>nd</sup>-6<sup>th</sup> 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 2021-2022, Virtual Program served 501 students from 15 schools with the support of 436 mentors.
- Beginning December 1, 2021, WITS required 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.

## **NOTE 17 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 19, 2022, the date on which the financial statements were available to be issued.