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October 12, 2006

Mary Ellen Guest, Exec. Dir.
Working in the Schools, Inc.
200 W. Adams, Suite 1205
Chicago, Illinois 60606

TRANSMITTED VIA EMAIL

Dear Mary Ellen:

Enclosed please find a copy of the financial statements for Working in the Schools, Inc. as of June 30, 2005 and 2004.

Please call should you have any questions.

Sincerely,

DUGAN & LOPATKA



Karen M. Olson

KMO:tjc
Enclosure

WORKING IN THE SCHOOLS, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2005 AND 2004**

**TOGETHER WITH
AUDITOR'S REPORT**

Dugan & Lopatka

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Working in the Schools, Inc.:

We have audited the accompanying statements of financial position of Working in the Schools, Inc. (WITS) (a not-for-profit organization) as of June 30, 2005, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of WITS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Working in the Schools, Inc. as of June 30, 2004 was audited by other auditors whose report dated September 13, 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WITS as of June 30, 2005, and the related statements of activities, cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dugan & Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
August 23, 2006

WORKING IN THE SCHOOLS, INC.
Statements of Financial Position
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| A S S E T S | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 125,805 | \$ 30,451 |
| Contributions receivable | 30,000 | 48,360 |
| Other receivables | 5,030 | 1,791 |
| Current portion of contributed rent | 32,560 | - |
| Prepaid expenses | 4,312 | 3,402 |
| | <u> </u> | <u> </u> |
| Total current assets | <u>\$ 197,707</u> | <u>\$ 84,004</u> |
| Non-Current Assets: | | |
| Equipment, net | \$ 20,121 | \$ 3,944 |
| Security deposits | - | 1,400 |
| Contributions receivable | 56,668 | 112,832 |
| Long-term portion of contributed rent | 74,000 | - |
| Permanently restricted cash | 10,000 | 10,000 |
| | <u> </u> | <u> </u> |
| Total non-current assets | <u>\$ 160,789</u> | <u>\$ 128,176</u> |
| Total assets | <u><u>\$ 358,496</u></u> | <u><u>\$ 212,180</u></u> |
| L I A B I L I T I E S | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 13,293 | \$ 55,548 |
| Accrued payroll and vacation pay | 9,012 | 6,512 |
| Deferred revenue | - | 4,000 |
| | <u> </u> | <u> </u> |
| Total current liabilities | <u>\$ 22,305</u> | <u>\$ 66,060</u> |
| Commitments | | |
| N E T A S S E T S | | |
| Unrestricted | \$ 132,964 | \$ (22,372) |
| Temporarily restricted | 193,227 | 158,492 |
| Permanently restricted | 10,000 | 10,000 |
| | <u> </u> | <u> </u> |
| Total net assets | <u>\$ 336,191</u> | <u>\$ 146,120</u> |
| Total liabilities and net assets | <u><u>\$ 358,496</u></u> | <u><u>\$ 212,180</u></u> |

The accompanying notes are an integral part of these financial statements.

WORKING IN THE SCHOOLS, INC.
 Statements of Activities
 For the years ended June 30, 2005 and 2004

| | 2005 | | | 2004 | | | | |
|---|---------------------|------------------------|------------------------|---------------------|--------------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenue, gains and other support: | | | | | | | | |
| Contributions and grants | \$ 219,792 | \$ 265,291 | \$ - | \$ 485,083 | \$ 323,250 | \$ 209,029 | \$ - | \$ 532,279 |
| Contract revenue | 279,863 | | - | 279,863 | 80,000 | - | - | 80,000 |
| In-kind contributions | 36,483 | 106,560 | - | 143,043 | 24,755 | - | - | 24,755 |
| Special events | 312,840 | - | - | 312,840 | 201,991 | - | - | 201,991 |
| Investment return | 1,044 | - | - | 1,044 | 85 | - | - | 85 |
| Miscellaneous | 1,995 | - | - | 1,995 | - | - | - | - |
| Net assets released from restrictions | 337,116 | (337,116) | - | - | 225,796 | (225,796) | - | - |
| Total revenue, gains and other support | \$ 1,189,133 | \$ 34,735 | \$ - | \$ 1,223,868 | \$ 855,877 | \$ (16,767) | \$ - | \$ 839,110 |
| Expenses: | | | | | | | | |
| Program: | | | | | | | | |
| Power lunch | \$ 367,766 | \$ - | \$ - | \$ 367,766 | \$ 440,039 | \$ - | \$ - | \$ 440,039 |
| Saturday program | 2,617 | - | - | 2,617 | 3,266 | - | - | 3,266 |
| Workplace mentoring | 85,502 | - | - | 85,502 | 97,274 | - | - | 97,274 |
| Classroom assistants | 53,840 | - | - | 53,840 | 16,944 | - | - | 16,944 |
| Experience Corps | 35,240 | - | - | 35,240 | - | - | - | - |
| Total program | \$ 544,965 | \$ - | \$ - | \$ 544,965 | \$ 557,523 | \$ - | \$ - | \$ 557,523 |
| Management and general Fundraising | 271,418 | - | - | 271,418 | 192,685 | - | - | 192,685 |
| | 217,414 | - | - | 217,414 | 139,093 | - | - | 139,093 |
| Total expenses | \$ 1,033,797 | \$ - | \$ - | \$ 1,033,797 | \$ 889,301 | \$ - | \$ - | \$ 889,301 |
| Change in net assets | \$ 155,336 | \$ 34,735 | \$ - | \$ 190,071 | \$ (33,424) | \$ (16,767) | \$ - | \$ (50,191) |
| Net assets at beginning of year | (22,372) | 158,492 | 10,000 | 146,120 | 11,052 | 175,259 | 10,000 | 196,311 |
| Net assets at end of year | <u>\$ 132,964</u> | <u>\$ 193,227</u> | <u>\$ 10,000</u> | <u>\$ 336,191</u> | <u>\$ (22,372)</u> | <u>\$ 158,492</u> | <u>\$ 10,000</u> | <u>\$ 146,120</u> |

The accompanying notes are an integral part of these financial statements.

WORKING IN THE SCHOOLS, INC.
Statements of Cash Flows
For the years ended June 30, 2005 and 2004

| | 2005 | 2004 |
|---|--------------|-------------|
| Cash flows from operating activities: | | |
| Contributions and grants received | \$ 1,004,023 | \$ 864,988 |
| Interest received | 1,044 | 85 |
| Cash paid to suppliers and employees | (888,489) | (867,141) |
| Net cash provided by (used in) operating activities | \$ 116,578 | \$ (2,068) |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | \$ (22,624) | \$ - |
| Cash received on security deposits | 1,400 | - |
| Net (decrease) in cash and cash equivalents | \$ (21,224) | \$ - |
| | \$ 95,354 | \$ (2,068) |
| Cash and cash equivalents at beginning of year | 30,451 | 32,519 |
| Cash and cash equivalents at end of year | \$ 125,805 | \$ 30,451 |
| Reconciliation of change in net assets to net cash provided by (used in) operating activities: | | |
| Change in net assets | \$ 190,071 | \$ (50,191) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 6,447 | 14,173 |
| Changes in other operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Contributions receivable | (34,536) | 22,323 |
| Other receivables | (739) | (360) |
| Prepaid expenses | (910) | (579) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (42,255) | 11,442 |
| Accrued payroll and vacation pay | 2,500 | (2,876) |
| Deferred revenue | (4,000) | 4,000 |
| Net cash provided by (used in) operating activities | \$ 116,578 | \$ (2,068) |

The accompanying notes are an integral part of these financial statements.

WORKING IN THE SCHOOLS, INC.
 Statements of Functional Expenses
 For the year ended June 30, 2005

| | Programs | | | | | | Management and general | Fund-raising | Total |
|-------------------------------------|-------------------|------------------|---------------------|----------------------|------------------|-------------------|------------------------|-------------------|---------------------|
| | Power Lunch | Saturday Program | Workplace Mentoring | Classroom Assistants | Experience Corps | Total Programs | | | |
| Salaries | \$ 157,628 | \$ - | \$ 37,837 | \$ 12,540 | \$ 20,900 | \$ 228,905 | \$ 133,760 | \$ 75,240 | \$ 437,905 |
| Printing and publications | 3,832 | - | 653 | 280 | 467 | 5,232 | 2,986 | 1,726 | 9,944 |
| Transportation | 62,542 | - | 17,405 | 11,024 | - | 90,971 | - | - | 90,971 |
| Volunteer training and appreciation | - | - | - | 2,215 | - | 2,215 | - | - | 2,215 |
| Meetings, seminars and conferences | 1,271 | - | 1,311 | 968 | - | 3,550 | 968 | - | 4,518 |
| Special events | - | - | - | - | - | - | - | 94,855 | 94,855 |
| Junior Board expenses | - | 2,617 | - | - | - | 2,617 | - | - | 2,617 |
| Program evaluation | 37,699 | - | 3,980 | - | - | 41,679 | - | - | 41,679 |
| Insurance | 2,106 | - | 421 | 180 | 301 | 3,008 | 1,925 | 1,083 | 6,016 |
| Miscellaneous | 1,502 | - | 2,436 | - | - | 3,938 | 4,398 | 195 | 8,531 |
| Payroll taxes | 17,373 | - | 3,475 | 1,489 | 2,482 | 24,819 | 15,884 | 8,935 | 49,638 |
| Employee benefits | 17,556 | - | 3,511 | 1,505 | 2,508 | 25,080 | 16,051 | 9,029 | 50,160 |
| Professional fees | 1,283 | - | 702 | 173 | 104 | 2,262 | 16,537 | 930 | 19,729 |
| Office and program supplies | 10,310 | - | 2,740 | 756 | 747 | 14,553 | 1,495 | 1,536 | 17,584 |
| Phone and communications | 4,866 | - | 973 | 417 | 695 | 6,951 | 4,448 | 2,502 | 13,901 |
| Postage and delivery | 1,837 | - | 370 | 155 | 260 | 2,622 | 1,661 | 1,121 | 5,404 |
| Occupancy and utilities | 21,796 | - | 4,359 | 1,869 | 3,114 | 31,138 | 19,928 | 11,210 | 62,276 |
| Depreciation | 2,257 | - | 451 | 193 | 322 | 3,223 | 2,063 | 1,161 | 6,447 |
| Consultant expense | 5,914 | - | 1,483 | 752 | 809 | 8,958 | 5,179 | 2,913 | 17,050 |
| Bank charges | - | - | - | - | - | - | 1,766 | 1,362 | 3,128 |
| Special projects | - | - | - | 18,258 | 1,173 | 19,431 | - | - | 19,431 |
| Equipment maintenance | 698 | - | 139 | 60 | 100 | 997 | 638 | 359 | 1,994 |
| Membership dues and subscriptions | 54 | - | 54 | 54 | - | 162 | 910 | - | 1,072 |
| Bad debt expense | - | - | - | - | - | - | 36,730 | - | 36,730 |
| Moving expense | 3,671 | - | 734 | 315 | 524 | 5,244 | 3,357 | 1,888 | 10,489 |
| Employee transportation | 13,571 | - | 2,468 | 637 | 734 | 17,410 | 734 | 1,369 | 19,513 |
| | <u>\$ 367,766</u> | <u>\$ 2,617</u> | <u>\$ 85,502</u> | <u>\$ 53,840</u> | <u>\$ 35,240</u> | <u>\$ 544,965</u> | <u>\$ 271,418</u> | <u>\$ 217,414</u> | <u>\$ 1,033,797</u> |

The accompanying notes are an integral part of these financial statements.

WORKING IN THE SCHOOLS, INC.
 Statements of Functional Expenses
 For the year ended June 30, 2004

| | Programs | | | Classroom Assistants | Total Programs | Management and general | Fund-raising | Total |
|-------------------------------------|-------------------|------------------|---------------------|----------------------|-------------------|------------------------|-------------------|-------------------|
| | Power Lunch | Saturday Program | Workplace Mentoring | | | | | |
| Salaries | \$ 201,385 | \$ - | \$ 38,242 | \$ 3,236 | \$ 242,863 | \$ 104,515 | \$ 43,449 | \$ 390,827 |
| Printing and publications | 3,154 | - | 534 | 44 | 3,732 | 1,111 | 2,263 | 7,106 |
| Transportation | 70,312 | - | 16,150 | 8,668 | 95,130 | - | - | 95,130 |
| Volunteer training and appreciation | 100 | - | - | 67 | 167 | - | - | 167 |
| Meetings, seminars and conferences | 1,205 | - | 1,100 | 785 | 3,090 | 768 | - | 3,858 |
| Special events | - | - | - | - | - | - | 71,058 | 71,058 |
| Junior Board expenses | - | 3,266 | - | - | 3,266 | - | - | 3,266 |
| Program evaluation | 32,365 | - | 8,091 | - | 40,456 | - | - | 40,456 |
| Insurance | 2,775 | - | 628 | 52 | 3,455 | 1,309 | 471 | 5,235 |
| Miscellaneous | 2,401 | - | 2,325 | - | 4,726 | 7,698 | (155) | 12,269 |
| Payroll taxes | 22,560 | - | 5,108 | 426 | 28,094 | 10,641 | 3,831 | 42,566 |
| Employee benefits | 19,874 | - | 4,500 | 375 | 24,749 | 9,375 | 3,375 | 37,499 |
| Professional fees | 2,624 | - | 1,303 | 948 | 4,875 | 22,664 | 1,205 | 28,744 |
| Office and program supplies | 15,841 | - | 3,449 | 962 | 20,252 | 2,423 | 1,356 | 24,031 |
| Phone and communications | 8,161 | - | 1,847 | 154 | 10,162 | 3,849 | 1,386 | 15,397 |
| Postage and delivery | 3,008 | - | 693 | 56 | 3,757 | 1,390 | 2,172 | 7,319 |
| Occupancy and utilities | 31,716 | - | 7,181 | 598 | 39,495 | 14,960 | 5,386 | 59,841 |
| Depreciation | 7,511 | - | 1,701 | 142 | 9,354 | 3,543 | 1,276 | 14,173 |
| Consultant expense | 1,961 | - | 469 | 37 | 2,467 | 925 | 333 | 3,725 |
| Bank charges | - | - | - | - | - | 2,138 | - | 2,138 |
| Equipment maintenance | 2,488 | - | 563 | 47 | 3,098 | 1,174 | 423 | 4,695 |
| Membership dues and subscriptions | 68 | - | 68 | 68 | 204 | 1,154 | - | 1,358 |
| Employee transportation | 10,530 | - | 3,322 | 279 | 14,131 | 3,048 | 1,264 | 18,443 |
| Total | \$ 440,039 | \$ 3,266 | \$ 97,274 | \$ 16,944 | \$ 557,523 | \$ 192,685 | \$ 139,093 | \$ 889,301 |

The accompanying notes are an integral part of these financial statements.

WORKING IN THE SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of Working in the Schools, Inc. (WITS) is presented to assist in undertaking WITS' financial statements. The financial statements and notes are representations of WITS' management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of activities -

WITS was incorporated on March 2, 1993. WITS' initial program was Classroom Assistants, a tutoring and mentoring program involving community members. This program provides volunteers to support the education and development of children in the Chicago Public Schools.

The Workplace Mentoring Program transports elementary school students to corporate workplaces for tutoring and mentoring.

During the year ended June 30, 2001, WITS began a new tutoring program called Power Lunch. A lunchtime literacy and mentoring program, Power Lunch, matches elementary school students with corporate and government volunteers transporting volunteers to the schools.

In January, 2003, the WITS Junior Board launched a new Saturday Program. At Walsh Elementary School, volunteers attend weekly sessions to work one-on-one with students on various reading related tutoring activities.

In February, 2005, WITS entered into an agreement to implement the Experience Corps program. The program mobilizes time, talent, and experience of older adults in service of local schools.

Financial statement presentation -

WITS reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. WITS is by definition considered a voluntary health and welfare organization since it receives its support primarily from the general public to be used for specific community services.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents -

For purposes of the statement of cash flows, WITS considers all highly liquid debt securities purchased with an initial maturity of three months or less to be cash and cash equivalents, excluding cash held for permanently restricted net assets.

Equipment -

Equipment is carried at cost. WITS capitalizes all equipment additions greater than or equal to \$500. Depreciation is computed on a straight-line basis over the useful lives of the respective assets ranging from 3 to 7 years. Significant donated property and equipment is recorded at fair market value at the date of donation. Repairs to equipment are expensed in the period in which such costs occur. Upon the sale or retirement of any capitalized assets, the cost and related accumulated depreciation are eliminated from these respective accounts and the resulting gain or loss is included in the statement of activities.

Revenue and support recognition -

WITS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give -

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as contributions receivable and support in the period in which the promise is made. Contributions receivable in excess of one year are discounted to their net present value. The discount on those amounts is computed using risk-free rates applicable to the years in which the promises are received.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated services -

No amounts have been reflected in the financial statements for donated services. WITS generally pays for services requiring specific expertise. However, more than 1,600 individuals volunteer their time and perform a variety of tasks that assist WITS with its tutoring programs, fundraising solicitations, and various committee assignments. WITS received more than 135,000 hours served by volunteers working in the schools during the 2005 and 2004 year.

These services have not been recognized since they either do not require specialized skills or would not typically be purchased had they not been provided by donation.

Contributed service -

Contributed professional services are recognized if the services received a) create or enhance long-lived 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.

In-kind contributions -

Amounts reflected in the accompanying statements as in-kind contributions are measured at fair value.

Functional expenses -

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, management and general and fundraising expenses based on direct salary expense and relative use of facilities.

Income taxes -

WITS is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, it is not subject to income taxes, unless it engages in activities that are unrelated to its exempt purpose. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

(2) CONTRIBUTIONS RECEIVABLE:

Contributions receivable consisted of the following:

| | <u>2005</u> | <u>2004</u> |
|--|------------------|-------------------|
| Unconditional promises to give before amortized discount | \$ 90,000 | \$ 172,700 |
| Less - Unamortized discount | <u>3,332</u> | <u>11,508</u> |
| Net unconditional promises to give | <u>\$ 86,668</u> | <u>\$ 161,192</u> |
| Amounts are due in: | | |
| Less than one year | \$ 30,000 | \$ 48,360 |
| One to five years | <u>56,668</u> | <u>112,832</u> |
| | <u>\$ 86,668</u> | <u>\$ 161,192</u> |

Four parties account for 100% of the contributions receivable in the current year and six in the previous year.

(3) EQUIPMENT:

Equipment consisted of the following:

| | <u>Unrestricted</u> | |
|---------------------------------|---------------------|-----------------|
| | June 30, | |
| | <u>2005</u> | <u>2004</u> |
| Equipment | \$ 60,962 | \$ 100,653 |
| Less - Accumulated depreciation | <u>40,841</u> | <u>96,709</u> |
| | <u>\$ 20,121</u> | <u>\$ 3,944</u> |

Depreciation was \$6,447 and \$14,173 for 2005 and 2004, respectively.

(4) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are time restricted and available for use in the period the contributions are received or in the year the rental payment is due.

(5) PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are held in the cash accounts and are restricted in perpetuity. Investment income from the permanently restricted investments, is temporarily restricted for expansion, recruiting, training and transportation and can be disbursed for those purposes only upon Board approval of request.

(6) LEASES:

WITS entered into an operating lease in April 2005 for office space with a lease term from August 2005 to July 2008. The lease agreement requires WITS to pay monthly for common area expenses with the base rent being donated. The base rent of \$2,960 per month is determined by the total square footage occupied by WITS. During the year ended June 30, 2005, WITS was asked to move. The new space is represented by a lease that requires the payment of the expense portion of the fair market value of the square footage rent. The remaining portion of the rent is reported as donated facilities revenue of \$106,560 and is recorded temporarily restricted in 2005. The restrictions will be released over the three year lease term.

(7) CONCENTRATIONS:

WITS maintains its cash primarily with banks located in Illinois. The cash balances are insured by the FDIC up to \$100,000 per bank. At June 30, 2005, WITS' cash balances on deposit exceed federally insured limits by approximately \$20,000.