

WORKING IN THE SCHOOLS, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2006 AND 2005**

**TOGETHER WITH
AUDITOR'S REPORT**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Working in the Schools, Inc. (WITS) (a not-for-profit organization) as of June 30, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years 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 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 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 audits provide 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, 2006 and 2005, and the changes in its net assets, cash flows and functional expenses for the years 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.

Statement of Financial Position

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
A S S E T S		
Current Assets:		
Cash and cash equivalents	\$ 38,957	\$ 125,805
Contributions receivable	19,434	30,000
Grants receivable	12,500	-
Other receivables	2,937	5,030
Current portion of contributed rent	35,520	32,560
Prepaid expenses	40,135	4,312
	<u>\$ 149,483</u>	<u>\$ 197,707</u>
Total current assets		
Non-Current Assets:		
Equipment, net	\$ 14,913	\$ 20,121
Contributions receivable	-	56,668
Long-term portion of contributed rent	38,480	74,000
Permanently restricted cash	10,000	10,000
	<u>\$ 63,393</u>	<u>\$ 160,789</u>
Total non-current assets		
Total assets	<u>\$ 212,876</u>	<u>\$ 358,496</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 46,706	\$ 13,293
Accrued payroll and vacation pay	7,054	9,012
Deferred revenue	14,937	-
	<u>\$ 68,697</u>	<u>\$ 22,305</u>
Total current liabilities		
Commitments		
NET ASSETS		
Unrestricted	\$ 40,746	\$ 132,964
Temporarily restricted	93,433	193,227
Permanently restricted	10,000	10,000
	<u>\$ 144,179</u>	<u>\$ 336,191</u>
Total net assets		
Total liabilities and net assets	<u>\$ 212,876</u>	<u>\$ 358,496</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, 2006 and 2005

	2006			2005				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:								
Contributions and grants	\$ 293,703	\$ 274,360	\$ -	\$ 568,063	\$ 219,792	\$ 265,291	\$ -	\$ 485,083
Contract revenue	63,810	-	-	63,810	279,863	-	-	279,863
In-kind contributions	24,150	-	-	24,150	36,483	106,560	-	143,043
Special events	308,221	-	-	308,221	312,840	-	-	312,840
Investment return	2,195	-	-	2,195	1,044	-	-	1,044
Miscellaneous	-	-	-	-	1,995	-	-	1,995
Net assets released from restrictions	374,154	(374,154)	-	-	337,116	(337,116)	-	-
Total revenue, gains and other support	\$ 1,066,233	\$ (99,794)	\$ -	\$ 966,439	\$ 1,189,133	\$ 34,735	\$ -	\$ 1,223,868
Expenses:								
Program:								
Power lunch	\$ 261,135	\$ -	\$ -	\$ 261,135	\$ 367,766	\$ -	\$ -	\$ 367,766
Saturday program	2,942	-	-	2,942	2,617	-	-	2,617
Workplace mentoring	99,642	-	-	99,642	85,502	-	-	85,502
Classroom assistants	22,551	-	-	22,551	53,840	-	-	53,840
Experience Corps	207,261	-	-	207,261	35,240	-	-	35,240
Early childhood	116,208	-	-	116,208	-	-	-	-
Total program	\$ 709,739	\$ -	\$ -	\$ 709,739	\$ 544,965	\$ -	\$ -	\$ 544,965
Management and general Fundraising	242,618	-	-	242,618	271,418	-	-	271,418
	206,094	-	-	206,094	217,414	-	-	217,414
Total expenses	\$ 1,158,451	\$ -	\$ -	\$ 1,158,451	\$ 1,033,797	\$ -	\$ -	\$ 1,033,797
Change in net assets	\$ (92,218)	\$ (99,794)	\$ -	\$ (192,012)	\$ 155,336	\$ 34,735	\$ -	\$ 190,071
Net assets at beginning of year	132,964	193,227	10,000	336,191	(22,372)	158,492	10,000	146,120
Net assets at end of year	\$ 40,746	\$ 93,433	\$ 10,000	\$ 144,179	\$ 132,964	\$ 193,227	\$ 10,000	\$ 336,191

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, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Contributions and grants received	\$ 1,020,258	\$ 1,004,023
Interest received	2,195	1,044
Cash paid to suppliers and employees	(1,109,301)	(888,489)
Net cash provided by (used in) operating activities	\$ (86,848)	\$ 116,578
Cash flows from investing activities:		
Purchase of fixed assets	\$ -	\$ (22,624)
Cash received on security deposits	-	1,400
Net cash (used in) investing activities	\$ -	\$ (21,224)
Net increase (decrease) in cash and cash equivalents	\$ (86,848)	\$ 95,354
Cash and cash equivalents at beginning of year	125,805	30,451
Cash and cash equivalents at end of year	\$ 38,957	\$ 125,805
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (192,012)	\$ 190,071
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,208	6,447
Non-cash donation of equipment	(4,000)	-
Non-cash portion of rent contributed in prior year	32,560	-
Changes in other operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	67,234	(34,536)
Grants receivable	(12,500)	-
Other receivables	2,093	(739)
Prepaid expenses	(35,823)	(910)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	33,413	(42,255)
Accrued payroll and vacation pay	(1,958)	2,500
Deferred revenue	14,937	(4,000)
Net cash provided by (used in) operating activities	\$ (86,848)	\$ 116,578

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, 2006

	Power Lunch	Saturday Program	Programs					Total programs	Management and general	Fund-raising	Total
			Workplace Mentoring	Classroom Assistants	Experience Corps	Early Childhood	Total				
Salaries	\$ 90,239	\$ -	\$ 51,453	\$ 9,214	\$ 155,656	\$ 67,132	\$ 373,694	\$ 134,264	\$ 60,196	\$ 568,154	
Printing and publications	1,657	-	55	12	79	91	1,894	183	7,579	9,656	
Transportation	66,075	-	18,084	7,067	-	-	91,226	-	-	91,226	
Volunteer training and appreciation	-	-	-	-	-	-	-	-	-	-	
Meetings, seminars and conferences	518	-	725	700	-	-	1,943	454	-	2,397	
Special events	-	-	-	-	-	-	-	-	-	-	
Junior Board expenses	-	2,942	-	-	-	-	2,942	-	104,771	104,771	
Program evaluation	41,779	-	-	-	-	-	41,779	-	-	41,779	
Insurance	1,349	-	675	150	974	1,124	4,272	2,249	975	7,496	
Miscellaneous	1,624	-	4,821	-	-	-	6,445	7,527	-	13,972	
Payroll taxes	7,383	-	3,691	820	15,252	6,152	33,298	12,305	5,332	50,935	
Employee benefits	8,394	-	4,197	933	10,324	6,995	30,843	13,990	6,063	50,896	
Professional fees	767	-	547	114	318	367	2,113	6,224	645	8,982	
Office and program supplies	12,172	-	4,465	923	1,846	1,846	21,252	1,846	5,704	28,802	
Phone and communications	2,483	-	1,242	276	1,793	2,069	7,863	4,139	1,793	13,795	
Postage and delivery	646	-	340	70	452	523	2,031	1,044	728	3,803	
Occupancy and utilities	11,735	-	5,868	1,304	8,476	9,780	37,163	19,560	8,476	65,199	
Electricity	394	-	197	44	285	329	1,249	657	285	2,191	
Depreciation	1,658	-	829	184	1,197	1,381	5,249	2,763	1,196	9,208	
Consultant expense	916	-	458	102	662	762	2,900	1,527	662	5,089	
Bank charges	-	-	-	-	-	-	-	1,377	1,189	2,566	
Equipment maintenance	500	-	250	56	361	418	1,585	834	361	2,780	
Membership dues and subscriptions	52	-	52	52	-	-	156	886	-	1,042	
Experience Corp Expenses	-	-	-	-	8,187	-	8,187	-	-	8,187	
Early Childhood Expenses/in-kind	-	-	-	-	-	15,840	15,840	-	-	15,840	
Employee transportation	10,794	-	1,693	530	1,399	1,399	15,815	729	139	16,683	
Public relations	-	-	-	-	-	-	-	30,060	-	30,060	
	<u>\$ 261,135</u>	<u>\$ 2,942</u>	<u>\$ 99,642</u>	<u>\$ 22,551</u>	<u>\$ 207,261</u>	<u>\$ 116,208</u>	<u>\$ 709,739</u>	<u>\$ 242,618</u>	<u>\$ 206,094</u>	<u>\$ 1,158,451</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, 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	
	\$ 367,766	\$ 2,617	\$ 85,502	\$ 53,840	\$ 35,240	\$ 544,965	\$ 271,418	\$ 217,414	\$ 1,033,797	

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

WORKING IN THE SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

(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.

During the year ended June 30, 2006, the newest program, Early Childhood Volunteer Program, was started. It is a literacy program in which individuals volunteer in preschool classrooms with three and four year olds. Volunteers spend one-on-one time reading aloud to individual students.

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

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.

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.

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

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.

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 1,500 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 128,000 hours served by volunteers working in the schools during the 2006 and 2005 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>2006</u>	<u>2005</u>
Unconditional promises to give before amortized discount	\$ 20,000	\$ 90,000
Less - Unamortized discount	<u>566</u>	<u>3,332</u>
Net unconditional promises to give	<u>\$ 19,434</u>	<u>\$ 86,668</u>
Amounts are due in:		
Less than one year	\$ 19,434	\$ 30,000
One to five years	<u>-</u>	<u>56,668</u>
	<u>\$ 19,434</u>	<u>\$ 86,668</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>2006</u>	<u>2005</u>
Equipment	\$ 58,903	\$ 60,962
Less - Accumulated depreciation	<u>43,990</u>	<u>40,841</u>
	<u>\$ 14,913</u>	<u>\$ 20,121</u>

Depreciation was \$9,208 and \$6,447 for 2006 and 2005, 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 as temporarily restricted in 2005. The restrictions will be released over the three year lease term. During the year ended June 30, 2006, \$32,560 was released from restriction and recorded as rent expense.

(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, 2006, WITS' cash balances on deposit did not exceed federally insured limits.