

# Dugan & Lopatka

Certified Public Accountants & Consultants  
A Professional Corporation  
104 East Roosevelt Road  
Wheaton, Illinois 60187  
(630) 665-4440  
Fax (630) 665-5030  
<http://www.tdip.com>  
e-mail: [info@tdip.com](mailto:info@tdip.com)

Michael J. Dugan  
Jerry Lopatka  
Mark F. Schultz  
Gwen Henry  
Peter J. Zich  
Leo M. Misdorn  
T. Brett Flickinger  
Karen M. Olson

September 12, 2007

Ms. Jenné Myers  
Working in the Schools, Inc.  
200 W. Adams, Suite 1205  
Chicago, Illinois 60606

**TRANSMITTED VIA EMAIL**

Dear Jenné:

Enclosed please find a copy of the financial statements for Working in the Schools, Inc. as of June 30, 2007 and 2006, together with auditor's report.

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, 2007 AND 2006**

**TOGETHER WITH  
AUDITOR'S REPORT**

# Dugan & Lopatka

Certified Public Accountants & Consultants  
A Professional Corporation  
104 East Roosevelt Road  
Wheaton, Illinois 60187  
(630) 665-4440  
Fax (630) 665-5030  
<http://www.tdip.com>  
e-mail: [info@tdip.com](mailto:info@tdip.com)

Michael J. Dugan  
Jerry Lopatka  
Mark F. Schultz  
Gwen Henry  
Peter J. Zich  
Leo M. Misdorn  
T. Brett Flickinger  
Karen M. Olson

## 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, 2007 and 2006, 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, 2007 and 2006, 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  
September 11, 2007

WORKING IN THE SCHOOLS, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006

A S S E T S

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 58,355	\$ 38,957
Pledges receivable	17,924	19,434
Contributions receivable	10,600	-
Grants receivable	130,593	12,500
Other receivables	255	2,937
Current portion of contributed rent	35,520	35,520
Prepaid expenses	42,580	40,135
	<u>\$295,827</u>	<u>\$ 149,483</u>
<b>NON-CURRENT ASSETS:</b>		
Equipment, net	\$ 6,570	\$ 14,913
Long-term portion of contributed rent	2,960	38,480
Long-term portion of pledges receivable	9,434	-
Permanently restricted cash	10,000	10,000
	<u>\$ 28,964</u>	<u>\$ 63,393</u>
Total assets	<u>\$324,791</u>	<u>\$ 212,876</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 5,919	\$ 46,706
Accrued payroll and vacation pay	20,281	7,054
Deferred revenue	45,685	14,937
	<u>\$ 71,885</u>	<u>\$ 68,697</u>
<b>COMMITMENTS</b>		
<b>NET ASSETS:</b>		
Unrestricted	\$ 95,569	\$ 40,746
Temporarily restricted	147,337	93,433
Permanently restricted	10,000	10,000
	<u>\$252,906</u>	<u>\$ 144,179</u>
Total liabilities and net assets	<u>\$324,791</u>	<u>\$ 212,876</u>

The accompanying notes are an integral part of this financial statement.

WORKING IN THE SCHOOLS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>								
Contributions and grants	\$ 198,238	\$ 412,151	\$ -	\$ 610,389	\$ 229,169	\$ 274,360	\$ -	\$ 503,529
Contract revenue	84,000	64,000	-	148,000	63,810	-	-	63,810
In-kind contributions	10,413	-	-	10,413	24,150	-	-	24,150
Special events	303,622	-	-	303,622	372,755	-	-	372,755
Investment return	2,575	-	-	2,575	2,195	-	-	2,195
Miscellaneous	375	-	-	375	-	-	-	-
Net assets released from restrictions	422,247	(422,247)	-	-	374,154	(374,154)	-	-
<b>Total revenue, gains and other support</b>	<b>\$1,021,470</b>	<b>\$ 53,904</b>	<b>\$ -</b>	<b>\$1,075,374</b>	<b>\$1,066,233</b>	<b>\$ (99,794)</b>	<b>\$ -</b>	<b>\$ 966,439</b>
<b>EXPENSES:</b>								
Program -								
Power lunch	\$ 187,249	\$ -	\$ -	\$ 187,249	\$ 261,135	\$ -	\$ -	\$ 261,135
Saturday program	212	-	-	212	2,942	-	-	2,942
Workplace mentoring	129,757	-	-	129,757	99,642	-	-	99,642
Classroom assistants	33,668	-	-	33,668	22,551	-	-	22,551
Experience Corps	137,199	-	-	137,199	207,261	-	-	207,261
Early childhood	65,199	-	-	65,199	116,208	-	-	116,208
<b>Total program</b>	<b>\$ 553,284</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 553,284</b>	<b>\$ 709,739</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 709,739</b>
Management and general Fundraising	208,890	-	-	208,890	242,618	-	-	242,618
	204,473	-	-	204,473	206,094	-	-	206,094
<b>Total expenses</b>	<b>\$ 966,647</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 966,647</b>	<b>\$1,158,451</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,158,451</b>
Change in net assets	\$ 54,823	\$ 53,904	\$ -	\$ 108,727	\$ (92,218)	\$ (99,794)	\$ -	\$ (192,012)
<b>NET ASSETS, Beginning of year</b>	<b>40,746</b>	<b>93,433</b>	<b>10,000</b>	<b>144,179</b>	<b>132,964</b>	<b>193,227</b>	<b>10,000</b>	<b>336,191</b>
<b>NET ASSETS, End of year</b>	<b>\$ 95,569</b>	<b>\$ 147,337</b>	<b>\$ 10,000</b>	<b>\$ 252,906</b>	<b>\$ 40,746</b>	<b>\$ 93,433</b>	<b>\$ 10,000</b>	<b>\$ 144,179</b>

The accompanying notes are an integral part of this financial statement.

WORKING IN THE SCHOOLS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions and grants received	\$ 969,612	\$ 1,020,258
Interest received	2,575	2,195
Cash paid to suppliers and employees	<u>(952,789)</u>	<u>(1,109,301)</u>
Net cash provided by (used in) operating activities	<u>\$ 19,398</u>	<u>\$ (86,848)</u>
Net increase (decrease) in cash and cash equivalents	\$ 19,398	\$ (86,848)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>38,957</u>	<u>125,805</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 58,355</u></u>	<u><u>\$ 38,957</u></u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 108,727	\$ (192,012)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,343	9,208
Non-cash donation of equipment	-	(4,000)
Non-cash portion of rent contributed in prior year	35,520	32,560
Changes in other operating assets and liabilities:		
(Increase) in pledges receivable	(7,924)	-
(Increase) decrease in contributions receivable	(10,600)	67,234
(Increase) in grants receivable	(118,093)	(12,500)
Decrease in other receivables	2,682	2,093
(Increase) in prepaid expenses	(2,445)	(35,823)
Increase (decrease) in accounts payable and accrued expenses	(40,787)	33,413
Increase (decrease) in accrued payroll and vacation pay	13,227	(1,958)
Increase in deferred revenue	<u>30,748</u>	<u>14,937</u>
Net cash provided by (used in) operating activities	<u><u>\$ 19,398</u></u>	<u><u>\$ (86,848)</u></u>

The accompanying notes are an integral part of this financial statement.



**WORKING IN THE SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Programs					Management and general	Fund-raising	Total
	Power Lunch	Saturday Program	Workplace Mentoring	Classroom Assistants	Experience Corps			
Salaries	\$ 90,239	\$ -	\$ 51,453	\$ 9,214	\$ 155,656	\$ 67,132	\$ 373,694	\$ 568,154
Printing and publications	1,657	-	55	12	79	91	1,894	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	2,397
Special events	-	-	-	-	-	-	-	-
Junior Board expenses	-	2,942	-	-	-	-	2,942	104,771
Program evaluation	41,779	-	-	-	-	-	41,779	2,942
Insurance	1,349	-	675	150	974	1,124	4,272	41,779
Miscellaneous	1,624	-	4,821	-	-	-	6,445	7,496
Payroll taxes	7,383	-	3,691	820	15,252	6,152	33,298	13,972
Employee benefits	8,394	-	4,197	933	10,324	6,995	30,843	50,935
Professional fees	767	-	547	114	318	367	2,113	50,896
Office and program supplies	12,172	-	4,465	923	1,846	1,846	21,252	8,982
Phone and communications	2,483	-	1,242	276	1,793	2,069	7,863	28,802
Postage and delivery	646	-	340	70	452	523	2,031	13,795
Occupancy and utilities	11,735	-	5,868	1,304	8,476	9,780	37,163	3,803
Electricity	394	-	197	44	285	329	1,249	65,199
Depreciation	1,658	-	829	184	1,197	1,381	5,249	2,191
Consultant expense	916	-	458	102	662	762	2,900	9,208
Bank charges	-	-	-	-	-	-	-	5,089
Equipment maintenance	500	-	250	56	361	418	1,585	2,566
Membership dues and subscriptions	52	-	52	52	-	-	156	2,780
Experience Corp Expenses	-	-	-	-	8,187	-	8,187	1,042
Early Childhood Expenses/in-kind	-	-	-	-	-	15,840	15,840	8,187
Employee transportation	10,794	-	1,693	530	1,399	1,399	15,815	15,840
Public relations	-	-	-	-	-	-	-	16,683
	\$ 261,135	\$ 2,942	\$ 99,642	\$ 22,551	\$ 207,261	\$ 116,208	\$ 709,739	\$ 1,158,451
								\$ 206,094
								\$ 242,618
								\$ 30,060
								\$ 1,158,451

The accompanying notes are an integral part of this financial statement.

WORKING IN THE SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006

(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.

Deferred revenue -

WITS reports cash received in advance of events as deferred revenue.

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

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.

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 1,300 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 52,000 hours served by volunteers working in the schools during the 2007 and 2006 school years.

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.

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

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) PLEDGES RECEIVABLE:

Pledges receivable consisted of the following:

	<u>2007</u>	<u>2006</u>
Unconditional promises to give before amortized discount	\$ 30,000	\$ 20,000
Less - Unamortized discount	<u>2,642</u>	<u>566</u>
Net unconditional promises to give	<u>\$ 27,358</u>	<u>\$ 19,434</u>
Amounts are due in:		
Less than one year	\$ 17,924	\$ 19,434
One to five years	<u>9,434</u>	<u>-</u>
	<u>\$ 27,358</u>	<u>\$ 19,434</u>

Two parties account for 100% of the pledges receivable in the current year and four in the previous year.

(3) EQUIPMENT:

Equipment consisted of the following:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 53,604	\$ 58,903
Less - Accumulated depreciation	<u>47,034</u>	<u>43,990</u>
	<u>\$ 6,570</u>	<u>\$ 14,913</u>

Depreciation was \$8,343 and \$9,208 for 2007 and 2006, respectively.

(4) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Time restrictions	\$ 125,837	\$ 93,434
Purpose restrictions - Power Lunch	<u>17,500</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 143,337</u>	<u>\$ 93,434</u>

(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 has an office lease through July, 2008. The lease agreement requires WITS to pay for the common area expenses only with the base rent amount being contributed as a temporarily restricted net asset in 2005. During the year ended June 30, 2007, \$35,520 was released from restriction. During the year ended June 30, 2007, WITS entered into an equipment operating lease requiring thirteen quarterly payments of \$310.

(6) LEASES: (Continued)

The future minimum lease payments are as follows:

2008	\$	33,844
2009		3,957
2010		1,240
2011		<u>310</u>
	\$	<u>39,351</u>

(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, 2007, WITS' cash balances on deposit did not exceed federally insured limits.