

**WORKING IN THE SCHOOLS, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2008 AND 2007**

**TOGETHER WITH  
AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

Gwen Henry

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, 2008 and 2007, 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, 2008 and 2007, 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 29, 2008

WORKING IN THE SCHOOLS, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2008 AND 2007

A S S E T S

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 505,443	\$ 58,355
Pledges receivable	36,410	17,924
Contributions receivable, net of allowance of \$3,000 in 2008	35,000	10,600
Grants receivable	64,000	130,593
Other receivables	120	255
Current portion of contributed rent	2,960	35,520
Prepaid expenses	24,184	42,580
	<u>668,117</u>	<u>295,827</u>
NON-CURRENT ASSETS:		
Equipment, net	6,144	6,570
Long-term portion of contributed rent	-	2,960
Long-term portion of pledges receivable	27,678	9,434
Security deposit	3,099	-
Permanently restricted cash	10,000	10,000
	<u>46,921</u>	<u>28,964</u>
Total assets	<u>\$ 715,038</u>	<u>\$ 324,791</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,279	\$ 5,919
Accrued payroll and vacation pay	16,334	20,281
Deferred revenue	33,450	45,685
	<u>54,063</u>	<u>71,885</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted	525,931	95,569
Temporarily restricted	125,044	147,337
Permanently restricted	10,000	10,000
	<u>660,975</u>	<u>252,906</u>
Total liabilities and net assets	<u>\$ 715,038</u>	<u>\$ 324,791</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, 2008 AND 2007

	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>								
Contributions and grants	\$ 173,302	\$ 312,243	\$ -	\$ 485,545	\$ 198,238	\$ 412,151	\$ -	\$ 610,389
Contract revenue	-	-	-	-	84,000	64,000	-	148,000
In-kind contributions	23,750	-	-	23,750	10,413	-	-	10,413
Special events	849,459	-	-	849,459	303,622	-	-	303,622
Investment return	10,745	-	-	10,745	2,575	-	-	2,575
Miscellaneous	-	-	-	-	375	-	-	375
Net assets released from restrictions	334,536	(334,536)	-	-	422,247	(422,247)	-	-
Total revenue, gains and other support	1,391,792	(22,293)	-	1,369,499	1,021,470	53,904	-	1,075,374
<b>EXPENSES:</b>								
Program -								
Power lunch	149,472	-	-	149,472	187,250	-	-	187,250
Saturday program	2,210	-	-	2,210	212	-	-	212
Workplace mentoring	105,066	-	-	105,066	129,757	-	-	129,757
Classroom assistants	56,188	-	-	56,188	33,668	-	-	33,668
Experience Corps	26,399	-	-	26,399	137,199	-	-	137,199
Early Childhood	91,641	-	-	91,641	65,198	-	-	65,198
Total program	430,976	-	-	430,976	553,284	-	-	553,284
Management and general Fundraising	182,892	-	-	182,892	208,889	-	-	208,889
	347,562	-	-	347,562	204,474	-	-	204,474
Total expenses	961,430	-	-	961,430	966,647	-	-	966,647
Change in net assets	430,362	(22,293)	-	408,069	54,823	53,904	-	108,727
NET ASSETS, Beginning of year	95,569	147,337	10,000	252,906	40,746	93,433	10,000	144,179
NET ASSETS, End of year	\$ 525,931	\$ 125,044	\$ 10,000	\$ 660,975	\$ 95,569	\$ 147,337	\$ 10,000	\$ 252,906

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions and grants received	\$ 1,352,118	\$ 969,612
Interest received	10,745	2,575
Cash paid to suppliers and employees	(910,889)	(952,789)
	<u>451,974</u>	<u>19,398</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	(4,886)	-
	<u>(4,886)</u>	<u>-</u>
Net cash (used in) investing activities	(4,886)	-
	<u>447,088</u>	<u>19,398</u>
Net increase in cash and cash equivalents	447,088	19,398
CASH AND CASH EQUIVALENTS, Beginning of year	<u>58,355</u>	<u>38,957</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 505,443</u>	<u>\$ 58,355</u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 408,069	\$ 108,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,312	8,343
Non-cash portion of rent contributed in prior year	35,520	35,520
Bad debt expense	3,000	-
Changes in other operating assets and liabilities:		
(Increase) in pledges receivable	(36,730)	(7,924)
(Increase) decrease in contributions receivable	(27,400)	(10,600)
(Increase) decrease in grants receivable	66,593	(118,093)
Decrease in other receivables	135	2,682
(Increase) decrease in prepaid expenses	18,396	(2,445)
(Increase) in security deposit	(3,099)	-
(Decrease) in accounts payable and accrued expenses	(1,640)	(40,787)
Increase (decrease) in accrued payroll and vacation pay	(3,947)	13,227
Increase (decrease) in deferred revenue	(12,235)	30,748
	<u>\$ 451,974</u>	<u>\$ 19,398</u>
Net cash provided by operating activities	<u>\$ 451,974</u>	<u>\$ 19,398</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, 2008

	Power Lunch	Saturday Program	Workplace Mentoring	Programs Classroom Assistants	Experience Corps	Early Childhood	Total programs	Management and general	Fund-raising	Total
Salaries	\$ 54,542	\$ -	\$ 50,439	\$ 31,180	\$ 18,981	\$ 42,161	\$ 197,303	\$ 103,487	\$ 111,152	\$ 411,942
Printing and publications	317	2	291	630	79	291	1,610	714	4,936	7,260
Transportation	45,476	-	23,922	8,773	-	1,832	80,003	-	-	80,003
Volunteer training and appreciation	-	-	-	1,123	-	-	1,123	-	-	1,123
Meetings, seminars and conferences	792	-	735	59	-	522	2,108	883	147	3,138
Special events	-	-	-	-	-	-	-	-	173,671	173,671
Junior Board expenses	-	2,208	-	-	-	-	2,208	-	-	2,208
Insurance	1,130	-	1,036	659	283	1,036	4,144	2,543	2,731	9,418
Miscellaneous	-	-	15	-	-	-	15	3,201	-	3,216
Payroll taxes	4,273	-	4,078	2,478	2,363	3,311	16,503	8,128	8,729	33,360
Employee benefits	4,560	-	4,180	2,660	1,140	4,180	16,720	10,261	11,021	38,002
Professional fees	859	-	837	276	303	248	2,523	19,344	1,243	23,110
Office and program supplies	11,393	-	6,771	787	100	1,553	20,604	1,472	1,539	23,615
Phone and communications	1,462	-	1,340	853	365	1,340	5,360	3,289	3,532	12,181
Postage and delivery	258	-	219	139	60	219	895	537	576	2,008
Occupancy and utilities	8,612	-	7,894	5,024	2,153	7,894	31,577	19,378	20,813	71,768
Electricity	219	-	200	128	55	200	802	492	528	1,822
Depreciation	637	-	584	372	159	584	2,336	1,436	1,540	5,312
Consultant expense	1,782	-	533	339	145	533	3,332	1,309	1,405	6,046
Bank charges	-	-	-	-	-	-	-	3,367	3,146	6,513
Equipment maintenance	234	-	214	136	58	214	856	559	565	1,980
Membership dues and subscriptions	115	-	115	115	-	115	460	1,721	113	2,294
Early Childhood expenses/in-kind	-	-	-	-	-	23,750	23,750	-	-	23,750
Employee transportation	12,811	-	1,663	457	155	1,658	16,744	771	175	17,690
	\$ 149,472	\$ 2,210	\$ 105,066	\$ 56,188	\$ 26,399	\$ 91,641	\$ 430,976	\$ 182,892	\$ 347,562	\$ 961,430

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, 2007

	Power Lunch	Saturday Program	Workplace Mentoring	Classroom Assistants	Experience Corps	Early Childhood	Total programs	Management and general	Fund-raising	Total
Salaries	\$ 86,035	\$ -	\$ 68,866	\$ 13,844	\$ 100,302	\$ 32,561	\$ 301,608	\$ 121,139	\$ 89,989	\$ 512,736
Printing and publications	345	80	249	77	228	134	1,113	517	5,259	6,889
Transportation	41,105	-	23,168	9,205	-	9,633	83,111	-	-	83,111
Volunteer training and appreciation	-	-	-	77	-	-	77	-	-	77
Meetings, seminars and conferences	174	-	289	42	61	55	621	209	35	865
Special events	-	-	-	-	-	-	-	-	69,371	69,371
Junior Board expenses	-	132	-	-	-	-	132	-	-	132
Insurance	1,534	-	1,108	341	937	596	4,516	2,300	1,704	8,520
Miscellaneous	325	-	1,887	-	-	-	2,212	607	306	3,125
Payroll taxes	6,791	-	5,512	2,144	14,234	3,007	31,688	7,106	5,264	44,058
Employee benefits	9,173	-	6,625	2,039	5,606	3,567	27,010	13,760	10,193	50,963
Professional fees	1,288	-	1,136	270	482	361	3,537	30,357	1,349	35,243
Office and program supplies	11,122	-	6,871	1,193	2,889	2,503	24,578	2,386	2,401	29,365
Phone and communications	2,226	-	1,606	495	1,360	866	6,553	3,339	2,473	12,365
Postage and delivery	288	-	216	63	172	110	849	423	314	1,586
Occupancy and utilities	12,311	-	8,891	2,736	7,524	4,788	36,250	18,467	13,679	68,396
Electricity	362	-	261	80	221	141	1,065	543	402	2,010
Depreciation	1,502	-	1,084	334	918	584	4,422	2,252	1,668	8,342
Consultant expense	2,611	-	279	281	150	986	4,307	579	429	5,315
Bank charges	-	-	-	-	-	-	-	2,981	1,946	4,927
Equipment maintenance	382	-	276	85	233	149	1,125	573	424	2,122
Membership dues and subscriptions	48	-	48	48	48	47	239	669	48	956
Early Childhood Expenses/in-kind	-	-	-	-	-	3,338	3,338	-	-	3,338
Employee transportation	9,628	-	1,385	314	1,834	1,772	14,933	682	310	15,925
Public relations	-	-	-	-	-	-	-	-	(3,090)	(3,090)
	\$ 187,250	\$ 212	\$ 129,757	\$ 33,668	\$ 137,199	\$ 65,198	\$ 553,284	\$ 208,889	\$ 204,474	\$ 966,647

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

WORKING IN THE SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

(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 understanding 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. This program ended in August, 2007.

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.

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.

Receivables -

Receivables represent contributions, grants and pledges due to WITS from corporations, foundations, individuals and government agencies. Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts.

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.

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 1,300 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 36,242 hours served by volunteers working in the schools during the 2008 and 2007 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.

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>2008</u>	<u>2007</u>
Unconditional promises to give before amortized discount	\$ 70,000	\$ 30,000
Less - Unamortized discount	<u>5,912</u>	<u>2,642</u>
Net unconditional promises to give	<u>\$ 64,088</u>	<u>\$ 27,358</u>
Amounts are due in:		
Less than one year	\$ 36,410	\$ 17,924
One to five years	<u>27,678</u>	<u>9,434</u>
	<u>\$ 64,088</u>	<u>\$ 27,358</u>

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

(3) EQUIPMENT:

Equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 54,714	\$ 53,604
Less - Accumulated depreciation	<u>48,570</u>	<u>47,034</u>
	<u>\$ 6,144</u>	<u>\$ 6,570</u>

Depreciation was \$5,312 and \$8,342 for 2008 and 2007, respectively.

(4) TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2008</u>	<u>2007</u>
Time restrictions	\$ 67,048	\$ 129,837
Purpose restrictions - Early Childhood	34,093	-
Purpose restrictions - Power Lunch	<u>23,903</u>	<u>17,500</u>
Total temporarily restricted net assets	<u>\$ 125,044</u>	<u>\$ 147,337</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 that expires in 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, 2008, \$35,520 was released from restriction. WITS also has an equipment operating lease requiring thirteen quarterly payments of \$310.

The future minimum lease payments are as follows:

2009	\$	3,957
2010		1,240
2011		<u>310</u>
	\$	<u>5,507</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, 2008, WITS' cash balances exceed federally insured limits by approximately \$415,000. As of June 30 2007, WITS had no cash balances that exceeded \$100,000.

(8) SUBSEQUENT EVENTS:

In July 2008, WITS was awarded a \$64,000 grant from the Chicago Public Schools Office for Extended Learning Opportunities to support their tutoring services.

In September 2008, WITS entered into a new office lease agreement commencing October 1, 2008 that will expire in 2015. The future minimum payments for the entire term of the lease total \$549,476.