

**WORKING IN THE SCHOOLS, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2010 AND 2009**

**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, 2010 and 2009, 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, 2010 and 2009, 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 28, 2010

**WORKING IN THE SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 292,420	\$ 231,146
Pledges receivable	18,899	27,295
Grants receivable	65,000	72,000
Other receivables	9,431	3,506
Investments	178,120	170,707
Prepaid expenses	11,712	5,473
	<u>575,582</u>	<u>510,127</u>
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	34,952	42,407
Long-term portion of pledges receivable	9,435	9,435
Security deposit	6,085	9,085
Permanently restricted cash	10,000	10,000
	<u>60,472</u>	<u>70,927</u>
<b>Total non-current assets</b>	<u>60,472</u>	<u>70,927</u>
<b>Total assets</b>	<u>\$ 636,054</u>	<u>\$ 581,054</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 4,399	\$ 10,632
Accrued payroll and vacation pay	25,730	17,536
Deferred rent	37,210	37,423
	<u>67,339</u>	<u>65,591</u>
<b>Total current liabilities</b>	<u>67,339</u>	<u>65,591</u>
<b>COMMITMENTS</b>		
<b>NET ASSETS:</b>		
Unrestricted	410,874	381,155
Temporarily restricted	147,841	124,308
Permanently restricted	10,000	10,000
	<u>568,715</u>	<u>515,463</u>
<b>Total net assets</b>	<u>568,715</u>	<u>515,463</u>
<b>Total liabilities and net assets</b>	<u>\$ 636,054</u>	<u>\$ 581,054</u>

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

**EXHIBIT 2**

**WORKING IN THE SCHOOLS, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>								
Contributions and grants	\$ 274,324	\$ 366,414	\$ -	\$ 640,738	\$ 292,426	\$ 263,063	\$ -	\$ 555,489
Contract revenue	64,000	-	-	64,000	64,000	-	-	64,000
In-kind contributions	35,176	-	-	35,176	57,672	-	-	57,672
Special events	237,398	-	-	237,398	201,306	-	-	201,306
Investment return	13,410	-	-	13,410	(17,250)	-	-	(17,250)
Miscellaneous	-	-	-	-	2,000	-	-	2,000
Net assets released from restrictions	342,881	(342,881)	-	-	263,799	(263,799)	-	-
<b>Total revenue, gains and other support</b>	<b>967,189</b>	<b>23,533</b>	<b>-</b>	<b>990,722</b>	<b>863,953</b>	<b>(736)</b>	<b>-</b>	<b>863,217</b>
<b>EXPENSES:</b>								
Program -								
Power Lunch	243,930	-	-	243,930	189,939	-	-	189,939
Workplace Mentoring	209,355	-	-	209,355	201,058	-	-	201,058
Classroom Assistants	57,717	-	-	57,717	92,558	-	-	92,558
Saturday Program	62,896	-	-	62,896	45,745	-	-	45,745
Early Childhood	106,594	-	-	106,594	93,831	-	-	93,831
<b>Total program</b>	<b>680,492</b>	<b>-</b>	<b>-</b>	<b>680,492</b>	<b>623,131</b>	<b>-</b>	<b>-</b>	<b>623,131</b>
Management and general Fundraising	79,849	-	-	79,849	148,567	-	-	148,567
	177,129	-	-	177,129	237,031	-	-	237,031
<b>Total expenses</b>	<b>937,470</b>	<b>-</b>	<b>-</b>	<b>937,470</b>	<b>1,008,729</b>	<b>-</b>	<b>-</b>	<b>1,008,729</b>
Change in net assets	29,719	23,533	-	53,252	(144,776)	(736)	-	(145,512)
<b>NET ASSETS, Beginning of year</b>	<b>381,155</b>	<b>124,308</b>	<b>10,000</b>	<b>515,463</b>	<b>525,931</b>	<b>125,044</b>	<b>10,000</b>	<b>660,975</b>
<b>NET ASSETS, End of year</b>	<b>\$ 410,874</b>	<b>\$ 147,841</b>	<b>\$ 10,000</b>	<b>\$ 568,715</b>	<b>\$ 381,155</b>	<b>\$ 124,308</b>	<b>\$ 10,000</b>	<b>\$ 515,463</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions and grants received	\$ 986,783	\$ 887,988
Interest and dividends received	5,995	10,855
Cash paid to suppliers and employees	(928,444)	(941,121)
	<u>64,334</u>	<u>(42,278)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of investments	-	20,016
Purchases of investments	-	(218,827)
Purchases of equipment	(3,060)	(33,208)
	<u>(3,060)</u>	<u>(232,019)</u>
Net cash (used in) investing activities	(3,060)	(232,019)
Net change in cash and cash equivalents	61,274	(274,297)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>231,146</u>	<u>505,443</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 292,420</u>	<u>\$ 231,146</u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 53,252	\$ (145,512)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,518	6,045
Loss on disposal of fixed assets	-	900
Non-cash portion of rent contributed in prior year	-	2,960
Donated fixed assets	-	(10,000)
Unrealized (gain) loss from investment	(7,415)	27,689
Realized loss from investment	-	416
Changes in other operating assets and liabilities:		
Decrease in pledges receivable	8,396	27,358
Decrease in contributions receivable	-	35,000
(Increase) decrease in grants receivable	7,000	(8,000)
(Increase) in other receivables	(5,925)	(3,386)
(Increase) decrease in prepaid expenses	(6,239)	18,711
(Increase) decrease in security deposit	3,000	(5,986)
Increase (decrease) in accounts payable and accrued expenses	(6,234)	6,352
Increase in accrued payroll and vacation pay	8,194	1,202
Increase (decrease) in deferred rent	(213)	3,973
	<u>\$ 64,334</u>	<u>\$ (42,278)</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, 2010

	Programs						Management and general	Fund-raising	Total
	Power Lunch	Workplace Mentoring	Classroom Assistants	Saturday Program	Early Childhood	Total programs			
Salaries	\$ 108,229	\$ 100,996	\$ 33,848	\$ 35,225	\$ 58,512	\$ 336,810	\$ 42,345	\$ 401,844	
Printing and publications	663	691	249	249	442	2,294	3,096	5,556	
Bus transportation	48,326	37,013	1,488	330	3,783	90,940	-	90,940	
Volunteer training and appreciation	-	-	49	-	-	49	-	49	
Professional development	1,561	1,564	125	811	-	4,061	312	6,246	
Special events	-	-	-	-	-	-	-	-	
Junior Board expenses	-	-	-	1,137	-	1,137	88,391	88,391	
Insurance	2,416	2,517	906	906	1,611	8,356	-	1,137	
Miscellaneous	-	225	100	-	-	325	1,108	10,068	
Payroll taxes	7,017	7,309	2,631	2,631	4,678	24,266	3,367	29,236	
Employee benefits	8,992	9,367	3,372	3,372	5,995	31,098	4,121	37,466	
Professional fees	4,819	4,964	1,574	1,307	2,857	15,521	2,931	53,179	
Office and program supplies	16,985	9,950	524	5,331	5,510	38,300	1,547	40,629	
Telephone	4,050	4,219	1,519	1,519	2,700	14,007	1,857	16,877	
Postage and delivery	359	374	134	134	239	1,240	384	1,714	
Rent	17,583	18,316	6,593	6,594	11,722	60,808	8,059	73,263	
Electricity	470	490	176	176	313	1,625	216	1,959	
Depreciation	2,524	2,629	947	947	1,683	8,730	1,157	10,518	
Consultant expense	1,542	1,861	904	463	1,264	6,034	566	6,910	
Moving expenses	-	-	-	-	-	-	-	-	
Bank charges	-	-	-	-	-	-	-	-	
Equipment maintenance	1,753	1,826	657	657	1,169	6,062	2,181	4,394	
Marketing and public relations	2,859	2,978	1,072	1,072	1,906	9,887	4,853	11,353	
Membership dues and subscriptions	83	83	83	-	83	332	1,310	11,911	
Early Childhood expenses/in-kind	-	-	-	-	-	-	82	1,654	
Employee transportation	13,699	1,983	766	35	2,127	18,610	8,960	8,960	
	\$ 243,930	\$ 209,355	\$ 57,717	\$ 62,896	\$ 106,594	\$ 680,492	\$ 177,129	\$ 937,470	

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, 2009

	Programs						Management and general	Fund-raising	Total
	Power Lunch	Workplace Mentoring	Classroom Assistants	Saturday Program	Early Childhood	Total programs			
Salaries	\$ 80,682	\$ 94,591	\$ 49,117	\$ 24,749	\$ 53,626	\$ 302,765	\$ 61,876	\$ 70,126	\$ 434,767
Printing and publications	2,067	2,411	1,148	689	1,493	7,808	1,722	9,462	18,992
Bus transportation	42,980	33,345	12,800	-	522	89,647	-	-	89,647
Volunteer training and appreciation	-	-	792	-	-	792	-	-	792
Professional development	2,382	2,068	165	1,075	-	5,690	2,482	414	8,586
Special events	-	-	-	-	-	-	-	98,283	98,283
Junior Board expenses	-	-	-	4,241	-	4,241	-	-	4,241
Insurance	1,724	2,012	958	575	1,245	6,514	1,437	1,628	9,579
Miscellaneous	941	736	541	54	394	2,666	2,933	7,153	12,752
Payroll taxes	6,304	7,354	3,502	2,101	4,553	23,814	5,253	5,953	35,020
Employee benefits	10,225	11,929	5,680	3,408	7,384	38,626	8,520	9,657	56,803
Professional fees	6,080	6,996	3,172	1,834	4,204	22,286	26,840	5,775	54,901
Office and program supplies	3,929	13,159	2,270	-	1,558	20,916	-	109	21,025
Telephone	2,215	2,585	1,231	739	1,600	8,370	1,846	2,092	12,308
Postage and delivery	395	454	216	130	281	1,476	325	659	2,460
Rent	12,734	14,856	7,074	4,245	9,197	48,106	10,612	12,026	70,744
Electricity	516	601	286	172	372	1,947	430	487	2,864
Depreciation	1,088	1,269	605	363	786	4,111	907	1,027	6,045
Consultant expense	1,080	1,237	659	315	817	4,108	788	893	5,789
Moving expenses	-	-	-	-	-	-	16,488	-	16,488
Bank charges	-	-	-	-	-	-	1,627	1,433	3,060
Equipment maintenance	951	1,110	529	317	687	3,594	793	7,490	11,877
Marketing and public relations	2,213	2,582	1,229	738	1,598	8,360	1,843	2,090	12,293
Membership dues and subscriptions	78	78	78	-	78	312	1,174	78	1,564
Early Childhood expenses/in-kind	-	-	-	-	1,875	1,875	-	-	1,875
Employee transportation	11,355	1,685	506	-	1,561	15,107	671	196	15,974
	\$ 189,939	\$ 201,058	\$ 92,558	\$ 45,745	\$ 93,831	\$ 623,131	\$ 148,567	\$ 237,031	\$ 1,008,729

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

WORKING IN THE SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

(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.

The financial statements were available to be issued on September 28, 2010, with subsequent events being evaluated through this date.

Nature of Activities -

For the year ended June 30, 2010, WITS' volunteers donated a total of 29,716 hours to help children learn the skill and love of reading. WITS worked with 24 partnering organizations and is in 26 schools around the city. Currently, WITS' volunteers consist of corporate and government employees, retirees and community volunteers of all ages and backgrounds participating in the following five programs:

Power Lunch: A lunchtime literacy and mentoring program pairing elementary school students and business volunteers for one-on-one reading. Power Lunch promotes the skills and love of reading through reading aloud, sharing favorite stories and talking about books.

Workplace Mentoring: Workplace Mentoring is an after-school program where third through sixth grade students are transported by bus to a corporate office where they are matched with employees for one-on-one, 1.5 hour tutoring/mentoring sessions.

Classroom Assistants: This program, comprised of retirees, homemakers and community volunteers, formed the backbone of the WITS program during its initial years. The majority of Classroom Assistants volunteer at least three hours each week, working with individual students or with small groups in their assigned classroom.

Saturday Program: More than 50 young Chicagoans participate in the Saturday Program, volunteering weekly or partnering up to tutor on alternating weekends. Launched by the Junior Board in 2002, the program entails two-hour sessions based on a one-on-one curriculum of reading and phonics.

Early Childhood: WITS newest program, Early Childhood, buses volunteers for two-hour, one-on-one reading sessions with preschool students (three- and four-year olds). Trained by Erickson Institute staff in "dialogic reading", a technique for reading aloud, volunteers read with students for twenty-minute intervals, allowing each child to be actively involved in telling the story.

(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.

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.

(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 1,200 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 29,716 and 37,292 hours served by volunteers working in the schools during the 2010 and 2009 school years, respectively.

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 and 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.

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

(Continued)

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>2010</u>	<u>2009</u>
Unconditional promises to give before amortized discount	\$ 30,000	\$ 40,000
Less - Unamortized discount	<u>1,666</u>	<u>3,270</u>
Net unconditional promises to give	<u>\$ 28,334</u>	<u>\$ 36,730</u>
Amounts are due in:		
Less than one year	\$ 18,899	\$ 27,295
One to five years	<u>9,435</u>	<u>9,435</u>
	<u>\$ 28,334</u>	<u>\$ 36,730</u>

One party accounts for 100% of the pledges receivable in the current and previous year.

(3) INVESTMENTS:

WITS' investments are carried at fair value and at June 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stock	<u>\$ 198,408</u>	<u>\$ 178,120</u>	<u>\$ 198,408</u>	<u>\$ 170,707</u>

Total investment return consists of the following for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 5,995	\$ 10,855
Unrealized gain (loss) on investments	7,415	(27,689)
Realized loss on investments	<u>-</u>	<u>(416)</u>
Total investment return	<u>\$ 13,410</u>	<u>\$ (17,250)</u>

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification (ASC) for Fair Value Measurements establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The ASC established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect WITS' market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical asset or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

Mutual Funds: Valued at the net asset value (NAV) of shares held at year end.

*Assets Measured at Fair Value on a Recurring Basis:*

Fair values of assets measured on a recurring basis at June 30, 2010 and 2009 are as follows:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - Mutual Funds	<u>\$ 178,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,120</u>

(4) FAIR VALUE MEASUREMENTS: (Continued)

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - Mutual Funds	<u>\$ 170,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,707</u>

Certain assets and liabilities are measured at fair value on a non-recurring basis, and therefore not included in the preceding table.

(5) PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 57,539	\$ 57,605
Leasehold improvements	20,161	20,161
Less - Accumulated depreciation	<u>42,748</u>	<u>35,359</u>
	<u>\$ 34,952</u>	<u>\$ 42,407</u>

Depreciation was \$10,518 and \$6,045 for 2010 and 2009, respectively.

(6) TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2010</u>	<u>2009</u>
Time restrictions	\$ 93,334	\$ 36,730
Purpose restrictions - Power Lunch	<u>54,507</u>	<u>87,578</u>
Total temporarily restricted net assets	<u>\$ 147,841</u>	<u>\$ 124,308</u>

(7) 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.

(8) LEASES:

In October, 2008, WITS signed a new seven-year agreement for an office lease at a new location. The lease included a six-month rent deferral period prior to the beginning of the lease term, followed by monthly payments of \$6,085. The lease expires in 2016 and includes an option to extend the lease five additional years.

Deferred rent of \$37,210 relating to the six months rent deferral is included on the balance sheet and will be amortized over the initial lease term.

WITS also has an equipment operating lease requiring thirteen quarterly payments of \$310 and a copier lease with sixty monthly payments of \$350. At June 30, 2010 and 2009, rent expense was \$73,263 and \$70,744, respectively.

The future minimum lease payments are as follows:

2011	\$	75,150
2012		76,975
2013		78,801
2014		80,626
2015		82,452
Thereafter		<u>69,978</u>
	\$	<u>463,982</u>

(9) CONCENTRATIONS:

WITS maintains its cash primarily with banks located in Illinois. The cash balances are insured by the FDIC up to \$250,000 per bank. At June 30, 2010, WITS has a concentration of cash at Shorebank in the amount of \$420,567 that exceeds the federally insured limit of \$250,000 by \$170,567. There were no cash concentrations greater than the federally insured limit at June 30, 2009.