

SIT STAY READ! INC.
Audit Report
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SIT STAY READ! INC.
Chicago, Illinois

We have audited the accompanying financial statements of **SIT STAY READ! INC.** which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIT STAY READ! INC. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Selden Fox, Ltd.

October 16, 2018

SIT STAY READ! INC.
Statement of Financial Position
June 30,

Assets	2018	2017
Cash and cash equivalents	\$ 219,846	\$ 184,767
Investments	31,458	31,422
Accounts receivable	-	4,623
Contributions receivable	40,370	40,000
Prepaid expenses	-	896
Furniture and equipment less accumulated depreciation of \$8,783 (\$19,860 in 2017)	1,190	2,537
Total assets	\$ 292,864	\$ 264,245
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 13,185	\$ 8,160
Accrued salaries	1,493	659
Accrued vacation	9,625	7,987
Total liabilities	24,303	16,806
Net assets:		
Unrestricted	228,191	192,439
Temporarily restricted	40,370	55,000
Total net assets	268,561	247,439
Total liabilities and net assets	\$ 292,864	\$ 264,245

See accompanying notes.

SIT STAY READ! INC.
Statement of Activities
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Donations	\$ 189,583	\$ 40,370	\$ 229,953
Grants	166,074	26,800	192,874
Net investment income	36	-	36
Other income	-	-	-
Net assets released from restrictions	81,800	(81,800)	-
	<u>437,493</u>	<u>(14,630)</u>	<u>422,863</u>
Total revenues, gains and other support			
Fund-raiser revenues:			
Special event revenue	183,396	-	183,396
Related special event expense	(42,894)	-	(42,894)
	<u>140,502</u>	<u>-</u>	<u>140,502</u>
Net fund-raiser revenues			
	<u>577,995</u>	<u>(14,630)</u>	<u>563,365</u>
Total revenues			
Expenses:			
Program services	422,278	-	422,278
Management and general	58,361	-	58,361
Fund-raising	61,604	-	61,604
	<u>542,243</u>	<u>-</u>	<u>542,243</u>
Total expenses			
	<u>35,752</u>	<u>(14,630)</u>	<u>21,122</u>
Changes in net assets			
Net assets, beginning of the year	<u>192,439</u>	<u>55,000</u>	<u>247,439</u>
Net assets, end of the year	<u>\$ 228,191</u>	<u>\$ 40,370</u>	<u>\$ 268,561</u>

See accompanying notes.

SIT STAY READ! INC.
Statement of Activities
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Donations	\$ 252,116	\$ -	\$ 252,116
Grants	187,000	60,100	247,100
Net investment income	20	-	20
Other income	8	-	8
Net assets released from restrictions	23,650	(23,650)	-
	<u>462,794</u>	<u>36,450</u>	<u>499,244</u>
Total revenues, gains and other support			
	<u>462,794</u>	<u>36,450</u>	<u>499,244</u>
Fund-raiser revenues:			
Special event revenue	164,253	-	164,253
Related special event expense	(37,898)	-	(37,898)
	<u>126,355</u>	<u>-</u>	<u>126,355</u>
Net fund-raiser revenues			
	<u>126,355</u>	<u>-</u>	<u>126,355</u>
Total revenues	<u>589,149</u>	<u>36,450</u>	<u>625,599</u>
Expenses:			
Program services	408,032	-	408,032
Management and general	77,382	-	77,382
Fund-raising	80,738	-	80,738
	<u>566,152</u>	<u>-</u>	<u>566,152</u>
Total expenses			
	<u>566,152</u>	<u>-</u>	<u>566,152</u>
Changes in net assets	22,997	36,450	59,447
Net assets, beginning of the year	<u>169,442</u>	<u>18,550</u>	<u>187,992</u>
Net assets, end of the year	<u>\$ 192,439</u>	<u>\$ 55,000</u>	<u>\$ 247,439</u>

See accompanying notes.

SIT STAY READ! INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Literacy Program	Management and General	Fund-raising	Total
Expenses:				
Salaries and wages	\$ 259,530	\$ 38,678	\$ 53,490	\$ 351,698
Employee benefits	8,290	231	144	8,665
Payroll taxes	19,839	3,012	4,169	27,020
Total personnel costs	287,659	41,921	57,803	387,383
Rent	18,576	1,728	1,296	21,600
Utilities	3,612	336	252	4,200
Telephone	1,541	143	107	1,791
Insurance	5,908	311	-	6,219
Office supplies and equipment	1,711	171	131	2,013
Evaluation	7,507	-	-	7,507
Materials	67,000	-	276	67,276
Postage and mailing	-	369	132	501
Volunteers	3,143	-	-	3,143
Administration	-	4,377	-	4,377
Website and IT services	4,552	268	536	5,356
Accounting	-	7,346	-	7,346
Marketing	1,837	280	704	2,821
Professional fees	2,250	613	-	2,863
Governance	14	8	3	25
Professional Development	296	37	37	370
Bank and credit card fees	6,301	-	-	6,301
Travel and entertainment	1,841	230	230	2,301
Vehicle	-	-	-	-
Depreciation	1,273	127	97	1,497
Repairs and maintenance	864	96	-	960
Other	6,393	-	-	6,393
Total expenses	\$ 422,278	\$ 58,361	\$ 61,604	\$ 542,243

See accompanying notes.

SIT STAY READ! INC.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<u>Literacy Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Expenses:				
Salaries and wages	\$ 225,224	\$ 46,147	\$ 58,789	\$ 330,160
Employee benefits	6,513	1,335	1,700	9,548
Payroll taxes	23,222	4,758	6,061	34,041
Total personnel costs	254,959	52,240	66,550	373,749
Rent	18,576	1,728	1,296	21,600
Telephone	4,746	441	331	5,518
Insurance	5,588	294	-	5,882
Office supplies and equipment	1,853	199	154	2,206
Evaluation	7,860	-	-	7,860
Materials	89,431	-	1,140	90,571
Postage and mailing	417	78	1,281	1,776
Volunteers	2,175	-	-	2,175
Administration	-	16,032	-	16,032
Website and IT services	11,497	676	1,353	13,526
Accounting	-	4,100	-	4,100
Marketing	3,947	333	1,278	5,558
Professional fees	2,503	744	-	3,247
Governance	20	10	3	33
Bank and credit card fees	-	20	6,969	6,989
Travel and entertainment	1,692	211	211	2,114
Vehicle	98	6	18	122
Depreciation	2,019	202	154	2,375
Repairs and maintenance	612	68	-	680
Other	39	-	-	39
Total expenses	\$ 408,032	\$ 77,382	\$ 80,738	\$ 566,152

See accompanying notes.

SIT STAY READ! INC.
Statement of Cash Flows
For the Year Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 21,122	\$ 59,447
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,497	2,375
Reinvested interest income	(36)	(14)
Donations of property and equipment	(150)	-
Cash from other operating activities:		
Accounts receivable	4,623	(2,506)
Donations and grants receivable	(370)	(32,998)
Prepaid expenses	896	4,173
Accounts payable and accrued expenses	7,497	6,538
Net cash from operating activities	35,079	37,015
Cash flows from investing activities:		
Maturity of certificate of deposit	-	25,289
Purchase of investments	-	(31,422)
Proceeds from sale of investments	-	2,416
Net cash from investing activities	-	(3,717)
Net change in cash and cash equivalents	35,079	33,298
Cash and cash equivalents, beginning of the year	184,767	151,469
Cash and cash equivalents, end of the year	\$ 219,846	\$ 184,767

See accompanying notes.

SIT STAY READ! INC.
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

General – SIT STAY READ! INC. (Organization) is a not-for-profit organization created to improve literacy skills and foster a love of learning in at-risk children. The Organization's vision is to be recognized in Chicagoland for its unparalleled expertise in providing literacy services for low-income elementary school students. The Organization is located in Chicago, Illinois.

Basis of Accounting – These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole so as to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Organization or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments, other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as reclassification between the applicable classes of net assets.

Use of Estimates – The preparation of financial statements in accordance 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, liabilities and activities at the date of the financial statements and during the reporting period. Significant estimates used in the preparation of these financial statements include depreciating furniture and equipment over management's estimate of their expected useful lives. Actual results could differ from those estimates. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information becomes available.

Concentration of Risk – At June 30, 2018, the Organization's cash accounts were fully insured by the FDIC.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

SIT STAY READ! INC.
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Fair Value and Investments – Investments are stated at fair value, with changes in fair value recognized in net assets each period. The Organization makes estimates regarding valuation of assets measured at fair value in preparing the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A framework has been established to provide for a fair value hierarchy that is broken down into three levels based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Money market funds are categorized in Level 1 of the fair value hierarchy.

Contributions Receivable – Unconditional promises to give are expected to be realized in one year or less and are classified as temporarily restricted net assets in the statement of activities. Unconditional promises to give totaled \$40,370 at June 30, 2018.

Furniture and Equipment – Furniture and equipment are stated at cost less accumulated depreciation. Depreciation has been provided on the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Office and computer equipment	3 - 5 years

In-kind Contributions – The Organization occasionally receives donated program materials and donated auction items for its annual fund-raiser. The Organization records an equal amount of contribution revenue and expense for these items at fair value. During the year ended June 30, 2018, the Organization received \$71,291 of in-kind items primarily related to program services and fund-raising activities (\$91,440 for the year ended June 30, 2017). The Organization records an equal amount of contribution revenue and expense for these items at fair value.

SIT STAY READ! INC.
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Functional Allocation of Expenses – Costs of providing the various services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to and categorized as program services, management and general and fund-raising expenses.

Income Taxes – The Organization is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except to the extent of any unrelated business income. There was no unrelated business income for the year ended June 30, 2018 and 2017. Accordingly, no provision for income tax is included in the financial statements. The Organization's tax returns for the years ended June 30, 2015 through 2017, are open years for purposes of any future IRS or Illinois Department of Revenue examinations.

Subsequent Events – Subsequent events have been evaluated through October 16, 2018, which is the date the financial statements were available to be issued.

2. Furniture and Equipment

A summary of furniture and equipment at June 30, is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 4,330	\$ 8,155
Equipment	<u>5,643</u>	<u>14,242</u>
Total	9,973	22,397
Less accumulated depreciation	<u>8,783</u>	<u>19,860</u>
Total furniture and equipment, net	<u>\$ 1,190</u>	<u>\$ 2,537</u>

Depreciation expense was \$1,497 for the year ended June 30, 2018 (\$2,375 for the year ended June 30, 2017).

SIT STAY READ! INC.
Notes to the Financial Statements (cont'd)

3. Net Assets

Temporarily Restricted Net Assets – Temporarily restricted net assets balances at June 30, consist of the following:

	2018	2017
2017-2018 Program funding	\$ -	\$ 15,000
Unconditional promises to give	40,370	40,000
	\$ 40,370	\$ 55,000

4. Operating Leases

Lessee – The Organization is renting the space on a month-to-month basis from the City of Chicago. The agreement requires payment in the amount of one dollar for the entire term of the lease in addition to a monthly operating cost estimated at \$350, subject to future adjustments. Accordingly, the Organization has recognized an in-kind contribution of office space rent of \$21,600 during the year ended June 30, 2018 (\$21,600 during the year ended June 30, 2017). The agreement can be terminated by either party with sixty days prior written notice by either party. Total lease expense for the year ended June 30, 2018, was \$21,600 (\$21,600 for the year ended June 30, 2017).