



**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

SIT STAY READ! INC.
Audit Report
For the Year Ended June 30, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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.

January 22, 2021

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

Assets	2020	2019
Cash and cash equivalents	\$ 385,418	\$ 360,823
Investments	39,050	34,068
Contributions receivable	25,146	2,046
Prepaid expenses	14,416	4,662
Furniture and equipment less accumulated depreciation of \$9,862 (\$9,577 in 2019)	111	396
Total assets	\$ 464,141	\$ 401,995
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,787	\$ 2,114
Accrued salaries	-	2,216
Accrued vacation	9,456	9,488
Deferred revenue	700	-
Note payable - Paycheck Protection Program	83,200	-
Total liabilities	96,143	13,818
Net assets:		
Net assets without donor restrictions	336,852	386,131
Net assets with donor restrictions	31,146	2,046
Total net assets	367,998	388,177
Total liabilities and net assets	\$ 464,141	\$ 401,995

See accompanying notes.

SIT STAY READ! INC.
Statement of Activities
For the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:			
Donations	\$ 290,247	\$ 25,146	\$ 315,393
Grants	215,000	9,000	224,000
Net investment income	2,375	-	2,375
Other income	18	-	18
Net assets released from restrictions	5,046	(5,046)	-
	<u>512,686</u>	<u>29,100</u>	<u>541,786</u>
Total revenues, gains and other support			
	<u>512,686</u>	<u>29,100</u>	<u>541,786</u>
Fund-raiser revenues:			
Special event revenue	50,809	-	50,809
Ticket revenue converted to contributions	35,305	-	35,305
Related special event expense	(5,491)	-	(5,491)
	<u>80,623</u>	<u>-</u>	<u>80,623</u>
Net fund-raiser revenues			
	<u>80,623</u>	<u>-</u>	<u>80,623</u>
Total revenues	<u>593,309</u>	<u>29,100</u>	<u>622,409</u>
Expenses:			
Program services	499,737	-	499,737
Management and general	63,659	-	63,659
Fund-raising	79,192	-	79,192
	<u>642,588</u>	<u>-</u>	<u>642,588</u>
Total expenses			
	<u>642,588</u>	<u>-</u>	<u>642,588</u>
Changes in net assets	(49,279)	29,100	(20,179)
Net assets, beginning of the year	<u>386,131</u>	<u>2,046</u>	<u>388,177</u>
Net assets, end of the year	<u>\$ 336,852</u>	<u>\$ 31,146</u>	<u>\$ 367,998</u>

See accompanying notes.

SIT STAY READ! INC.
Statement of Activities
For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:			
Donations	\$ 261,679	\$ 2,046	\$ 263,725
Grants	236,000	42,500	278,500
Net investment income	382	-	382
Other income	584	-	584
Net assets released from restrictions	82,870	(82,870)	-
Total revenues, gains and other support	581,515	(38,324)	543,191
Fund-raiser revenues:			
Special event revenue	225,315	-	225,315
Related special event expense	(40,420)	-	(40,420)
Net fund-raiser revenues	184,895	-	184,895
Total revenues	766,410	(38,324)	728,086
Expenses:			
Program services	468,318	-	468,318
Management and general	63,808	-	63,808
Fund-raising	76,344	-	76,344
Total expenses	608,470	-	608,470
Changes in net assets	157,940	(38,324)	119,616
Net assets, beginning of the year	228,191	40,370	268,561
Net assets, end of the year	\$ 386,131	\$ 2,046	\$ 388,177

See accompanying notes.

SIT STAY READ! INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Literacy Program	Management and General	Fund-raising	Total
Expenses:				
Salaries and wages	\$ 339,813	\$ 42,079	\$ 48,889	\$ 430,781
Employee benefits	11,403	460	691	12,554
Payroll taxes	26,169	3,241	3,765	33,175
Total personnel costs	377,385	45,780	53,345	476,510
Rent	18,576	1,728	1,296	21,600
Utilities	3,612	336	252	4,200
Telephone	1,376	128	96	1,600
Insurance	5,612	585	309	6,506
Consulting	-	-	21,000	21,000
Office supplies and equipment	2,817	261	197	3,275
Materials	66,319	44	67	66,430
Postage and mailing	1,500	300	200	2,000
Volunteers	8,080	-	-	8,080
Associate board	23	-	70	93
Website and IT services	2,214	206	154	2,574
Accounting	-	8,959	-	8,959
Marketing	853	-	852	1,705
Professional fees	4,764	430	1,233	6,427
Governance	-	30	-	30
Professional development	3,212	169	-	3,381
Bank and credit card fees	-	4,585	-	4,585
Travel and entertainment	1,741	84	96	1,921
Depreciation	245	23	17	285
Repairs and maintenance	115	11	8	134
Other	1,293	-	-	1,293
Total expenses	\$ 499,737	\$ 63,659	\$ 79,192	\$ 642,588

See accompanying notes.

SIT STAY READ! INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Literacy Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Expenses:				
Salaries and wages	\$ 297,003	\$ 39,859	\$ 47,113	\$ 383,975
Employee benefits	9,558	212	850	10,620
Payroll taxes	22,316	3,039	3,588	28,943
Total personnel costs	328,877	43,110	51,551	423,538
Rent	18,576	1,728	1,296	21,600
Utilities	3,612	336	252	4,200
Telephone	1,309	122	91	1,522
Insurance	5,554	653	327	6,534
Consulting	-	-	19,250	19,250
Office supplies and equipment	652	61	45	758
Materials	84,991	146	2,055	87,192
Postage and mailing	-	487	472	959
Volunteers	7,924	-	-	7,924
Associate board	283	-	94	377
Website and IT services	1,990	117	234	2,341
Accounting	-	8,986	-	8,986
Marketing	448	-	449	897
Professional fees	3,324	369	-	3,693
Governance	-	25	-	25
Professional development	1,448	256	-	1,704
Bank and credit card fees	-	7,147	-	7,147
Travel and entertainment	2,664	116	116	2,896
Depreciation	682	63	48	793
Repairs and maintenance	924	86	64	1,074
Other	5,060	-	-	5,060
Total expenses	\$ 468,318	\$ 63,808	\$ 76,344	\$ 608,470

See accompanying notes.

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (20,179)	\$ 119,616
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	285	794
Reinvested interest income	(33)	(96)
Contribution of securities	(4,949)	(2,514)
Cash from other operating activities:		
Contributions receivable	(23,100)	38,324
Prepaid expenses	(9,754)	(4,662)
Accounts payable and accrued expenses	(1,575)	(10,485)
Deferred revenue	700	-
	<u>(58,605)</u>	<u>140,977</u>
Net change in cash and cash equivalents	(58,605)	140,977
Cash flows from financing activities -		
Paycheck Protection Program loan proceeds	<u>83,200</u>	<u>-</u>
	24,595	140,977
Net change in cash	24,595	140,977
Cash and cash equivalents, beginning of the year	<u>360,823</u>	<u>219,846</u>
Cash and cash equivalents, end of the year	<u>\$ 385,418</u>	<u>\$ 360,823</u>

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:

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Contributions and grants that meet the definition of unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met.

Contributions of assets other than cash and contributed services are recorded at their estimated fair value.

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, 2020, the Organization has \$137,782 of cash in excess of FDIC insurance.

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 net assets with donor restrictions in the statement of activities. Unconditional promises to give totaled \$25,146 at June 30, 2020 (\$2,046 at June 30, 2019). The Organization considers all contributions receivable fully collectible. Accordingly, no allowance for doubtful accounts has been established at June 30, 2020.

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, 2020, the Organization received \$79,069 of in-kind items primarily related to program services and fund-raising activities (\$82,883 for the year ended June 30, 2019). 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)

Paycheck Protection Program Loan Payable – Sit Stay Read! Inc. has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470 *Debt*. Under this guidance, extinguishment of the loan would be recognized when Sit Stay Read! Inc. has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves the Organization's forgiveness application.

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 and are detailed by their natural classification in the statement of functional expenses. Accordingly, certain costs have been allocated to and categorized as program services, management and general, and fund-raising expenses based on direct expenses or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories.

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 years ended June 30, 2020 and 2019. Accordingly, no provision for income tax is included in the financial statements. The Organization's tax returns for the years ended June 30, 2017 through 2019, are open years for purposes of any future IRS or Illinois Department of Revenue examinations.

New Accounting Pronouncements – In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective on July 1, 2019. The new standard requires Sit Stay Read! Inc. to reassess its revenue recognition policy to accurately depict whether a transfer of assets is a contribution or exchange transaction and whether a contribution received (including government grants) is conditional or unconditional. The adoption of this guidance did not have a significant impact on the Organizations financial position, changes in net assets or cash flows.

Subsequent Events – Subsequent events have been evaluated through January 22, 2021, which is the date the financial statements were available to be issued. The COVID-19 outbreak in the United States of America has caused business disruption through mandated and voluntary stay at home orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption and impact on the economy. The related financial impact and duration cannot be reasonably estimated as this time.

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

2. Furniture and Equipment

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

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 4,330	\$ 4,330
Equipment	<u>5,643</u>	<u>5,643</u>
Total	9,973	9,973
Less accumulated depreciation	<u>9,862</u>	<u>9,577</u>
Total furniture and equipment, net	\$ 111	\$ 396

Depreciation expense was \$285 for the years ended June 30, 2020 and 2019.

3. Net Assets

Net Assets With Donor Restrictions – Net assets with donor restrictions at June 30, consist of the following:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 25,146	\$ 2,046
Program funding	<u>6,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 31,146</u>	<u>\$ 2,046</u>

4. Availability and Liquidity

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 385,418	\$ 360,823
Investments	39,050	34,068
Contributions receivable	<u>25,146</u>	<u>2,046</u>
	449,614	396,937
Less:		
Net assets with donor restrictions	<u>31,146</u>	<u>2,046</u>
	\$ 418,468	\$ 394,891

The Organization relies on grants and contributions to cover its expenses.

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

5. 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, 2020 (\$21,600 during the year ended June 30, 2019). 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, 2020, was \$21,600 (\$21,600 for the year ended June 30, 2019).

6. PPP Loan Payable

On May 6, 2020, Sit Stay Read! Inc. was granted a loan in the aggregate amount of \$83,200, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPPFA), certain amounts of the loan may be forgiven if they are used for qualifying expenses through December 31, 2020 (“spending window”), which include payroll costs, group health care benefit costs, rent, and utilities, as described in the CARES Act. Sit Stay Read! Inc. intends to use the entire loan amount for qualifying expenses and to meet other conditions to have the loan forgiven. Subsequent to year end, Sit Stay Read! Inc. has filed its application to have the loan forgiven and expects full forgiveness.

The Loan, dated May 6, 2020, matures on May 6, 2022 and bears interest at a rate of 1.00% per annum. Under the PPPFA, principal and interest payments have been deferred until the earlier of (1) ten months after the last day of the covered period for PPP loan forgiveness, or (2) when SBA repays the lender for the portion of the loan that is forgiven. These terms may be subject to further changes depending on any related legislation or related regulations.