



**AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**

**SIT STAY READ! INC.**  
**Audit Report**  
**For the Year Ended June 30, 2021**

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# Selden Fox

Accounting for your future

619 Enterprise Drive | Oak Brook, Illinois 60523 | [www.seldenfox.com](http://www.seldenfox.com)  
p 630.954.1400 | f 630.954.1327 | [email@seldenfox.com](mailto:email@seldenfox.com)

## 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, 2021 and 2020, 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, 2021 and 2020, 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.*

December 14, 2021

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

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 361,028	\$ 385,418
Investments	44,865	39,050
Contributions receivable	20,000	25,146
Prepaid expenses	17,343	14,416
Furniture and equipment less accumulated depreciation of \$9,889 (\$9,862 in 2020)	84	111
<b>Total assets</b>	<b>\$ 443,320</b>	<b>\$ 464,141</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 4,811	\$ 2,787
Accrued salaries	4,247	-
Accrued vacation	14,424	9,456
Deferred revenue	-	700
Note payable - Paycheck Protection Program	-	83,200
<b>Total liabilities</b>	<b>23,482</b>	<b>96,143</b>
Net assets:		
Net assets without donor restrictions	359,338	336,852
Net assets with donor restrictions	60,500	31,146
<b>Total net assets</b>	<b>419,838</b>	<b>367,998</b>
<b>Total liabilities and net assets</b>	<b>\$ 443,320</b>	<b>\$ 464,141</b>

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<b>Total</b>
Revenues, gains and other support:			
Donations	\$ 158,377	\$ 20,000	\$ 178,377
Grants	196,200	43,500	239,700
Gain on forgiveness of Paycheck Protection Program loans	168,807	-	168,807
Net investment income	4,471	-	4,471
Other income	101	-	101
Net assets released from restrictions	34,146	(34,146)	-
<b>Total revenues, gains and other support</b>	<b>562,102</b>	<b>29,354</b>	<b>591,456</b>
Fund-raiser revenues:			
Special event revenue	84,144	-	84,144
Related special event expense	(12,913)	-	(12,913)
<b>Net fund-raiser revenues</b>	<b>71,231</b>	<b>-</b>	<b>71,231</b>
<b>Total revenues</b>	<b>633,333</b>	<b>29,354</b>	<b>662,687</b>
Expenses:			
Program services	413,816	-	413,816
Management and general	66,946	-	66,946
Fund-raising	130,085	-	130,085
<b>Total expenses</b>	<b>610,847</b>	<b>-</b>	<b>610,847</b>
<b>Changes in net assets</b>	<b>22,486</b>	<b>29,354</b>	<b>51,840</b>
Net assets, beginning of the year	336,852	31,146	367,998
Net assets, end of the year	\$ 359,338	\$ 60,500	\$ 419,838

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)	-
<b>Total revenues, gains and other support</b>	<b>512,686</b>	<b>29,100</b>	<b>541,786</b>
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)
<b>Net fund-raiser revenues</b>	<b>80,623</b>	<b>-</b>	<b>80,623</b>
<b>Total revenues</b>	<b>593,309</b>	<b>29,100</b>	<b>622,409</b>
Expenses:			
Program services	499,737	-	499,737
Management and general	63,659	-	63,659
Fund-raising	79,192	-	79,192
<b>Total expenses</b>	<b>642,588</b>	<b>-</b>	<b>642,588</b>
<b>Changes in net assets</b>	<b>(49,279)</b>	<b>29,100</b>	<b>(20,179)</b>
Net assets, beginning of the year	386,131	2,046	388,177
Net assets, end of the year	<b>\$ 336,852</b>	<b>\$ 31,146</b>	<b>\$ 367,998</b>

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	Literacy Program	Management and General	Fund-raising	Total
<b>Expenses:</b>				
Salaries and wages	\$ 269,049	\$ 43,523	\$ 83,088	\$ 395,660
Employee benefits	6,146	994	1,898	9,038
Payroll taxes	20,209	3,269	6,241	29,719
<b>Total personnel costs</b>	295,404	47,786	91,227	434,417
Rent	18,575	1,729	1,296	21,600
Utilities	5,799	539	405	6,743
Telephone	378	35	26	439
Insurance	4,891	1,141	2,120	8,152
Consulting	-	-	16,750	16,750
Materials	59,163	36	717	59,916
Postage and mailing	-	-	1,733	1,733
Volunteers	3,933	-	-	3,933
Website and IT services	1,325	309	574	2,208
Accounting	-	10,001	-	10,001
Marketing	300	-	200	500
Professional fees	16,661	3,622	6,732	27,015
Governance	-	41	-	41
Professional development	6,779	1,582	2,938	11,299
Bank and credit card fees	-	67	5,359	5,426
Travel and entertainment	120	-	6	126
Depreciation	23	2	2	27
Other	465	56	-	521
<b>Total expenses</b>	<b>\$ 413,816</b>	<b>\$ 66,946</b>	<b>\$ 130,085</b>	<b>\$ 610,847</b>

See accompanying notes.

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

	<u>Literacy Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
<b>Expenses:</b>				
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
<b>Total personnel costs</b>	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
<b>Total expenses</b>	<b>\$ 499,737</b>	<b>\$ 63,659</b>	<b>\$ 79,192</b>	<b>\$ 642,588</b>

See accompanying notes.

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 51,840	\$ (20,179)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain on forgiveness of PPP loans	(168,807)	-
Depreciation	27	285
Unrealized gain on investments	(4,402)	-
Reinvested interest income	-	(33)
Contribution of securities	(1,413)	(4,949)
Cash from other operating activities:		
Contributions receivable	5,146	(23,100)
Prepaid expenses	(2,927)	(9,754)
Accounts payable and accrued expenses	11,239	(1,575)
Deferred revenue	(700)	700
<b>Net change from operations</b>	<b>(109,997)</b>	<b>(58,605)</b>
Cash flows from financing activities -		
Paycheck Protection Program loan proceeds	85,607	83,200
<b>Net change in cash and cash equivalents</b>	<b>(24,390)</b>	<b>24,595</b>
Cash and cash equivalents, beginning of the year	385,418	360,823
Cash and cash equivalents, end of the year	<b>\$ 361,028</b>	<b>\$ 385,418</b>

See accompanying notes.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements**

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**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, 2021, the Organization has \$116,241 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)**

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**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 \$20,000 at June 30, 2021 (\$25,146 at June 30, 2020). The Organization considers all contributions receivable fully collectible. Accordingly, no allowance for doubtful accounts has been established at June 30, 2021 and 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, 2021, the Organization received \$35,150 of in-kind items primarily related to program services and fund-raising activities (\$79,069 for the year ended June 30, 2020). 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)**

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

**Paycheck Protection Program Loan Payable** – The Organization 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 the Organization 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, 2021 and 2020. Accordingly, no provision for income tax is included in the financial statements. The Organization's tax returns for the years ended June 30, 2018 through 2020, are open years for purposes of any future IRS or Illinois Department of Revenue examinations.

**Subsequent Events** – Subsequent events have been evaluated through December 14, 2021, which is the date the financial statements were available to be issued.

**New Accounting Pronouncement** – In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." The ASU's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The ASU also includes expanded disclosure requirements. Adoption of this standard did not have a material impact on the Organization's financial statements since contribution revenue and investment income is scoped out of the standard.

**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>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 4,330	\$ 4,330
Equipment	5,643	5,643
<b>Total</b>	<b>9,973</b>	9,973
Less accumulated depreciation	<u>9,889</u>	<u>9,862</u>
<b>Total furniture and equipment, net</b>	<b><u>\$ 84</u></b>	<b><u>\$ 111</u></b>

Depreciation expense was \$27 for the years ended June 30, 2021 and 2020.

**3. Net Assets**

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

	<u>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 20,000	\$ 25,146
Program funding	<u>40,500</u>	<u>6,000</u>
Total net assets with donor restrictions	<b><u>\$ 60,500</u></b>	<b><u>\$ 31,146</u></b>

**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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 361,028	\$ 385,418
Investments	44,865	39,050
Contributions receivable	<u>20,000</u>	<u>25,146</u>
	<b>425,893</b>	449,614
Less:		
Net assets with donor restrictions	<u>60,500</u>	<u>31,146</u>
	<b><u>\$ 365,393</u></b>	<b><u>\$ 418,468</u></b>

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

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

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**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, 2021 (\$21,600 during the year ended June 30, 2020). 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, 2021, was \$21,600 (\$21,600 for the year ended June 30, 2020).

**6. PPP Loan Payable**

On May 6, 2020, and February 6, 2021, the Organization was granted a loan in the aggregate amount of \$83,200 and \$85,607, respectively, 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. The Organization used the entire loan amounts totaling \$168,807 for qualifying expenses and met other conditions to have the loan forgiven. The loan dated May 6, 2020, was forgiven on October 30, 2020, and the loan dated February 10, 2021, was forgiven on June 22, 2021. As such, \$168,807 has been recognized as a gain on the statement of activities for the forgiven loans for the year ended June 30, 2021.

**7. Uncertainties**

**COVID-19 Pandemic** – As a result of the COVID-19 coronavirus pandemic, there are ongoing uncertainties that exist which could have a material, adverse impact on the Organization. While management continues to monitor the situation, any effects the pandemic may have on the Organization's future operations are uncertain at this time.

**8. Future Accounting Standards**

**Contributed Nonfinancial Assets** – The FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) – *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update improves generally accepted accounting principles by increasing the transparency of contributed nonfinancial assets for not-for-profit entities (NFP's) through enhancements to presentation and disclosure. Entities will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Along with the new presentation, additional disclosure requirements about contributed nonfinancial assets for NFP's will be required, including additional disclosure requirements for recognized contributed services. This ASU becomes effective for annual periods beginning after June 15, 2021, on a retrospective basis. The Organization has not determined the effect of adopting the new standard.

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

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**8. Future Accounting Standards (cont'd)**

**Leases** – During 2016, the FASB issued new standards related to lease accounting. The new standard will require the Organization to recognize on its statement of financial position, the asset and liability of their leasing agreements relating to the rights and obligations created by the leases. The standard will be effective for fiscal 2023. The Organization has not determined the effect of adopting the new standard.