



**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

SIT STAY READ! INC.
Audit Report
For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of **SIT STAY READ! INC.** which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SIT STAY READ! INC. as of June 30, 2023 and 2022, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SIT STAY READ! INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SIT STAY READ! INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SIT STAY READ! INC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SIT STAY READ! INC.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Selden Fox, Ltd.

May 9, 2024

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

Assets	2023	2022
Cash and cash equivalents	\$ 133,161	\$ 214,505
Investments	51,623	48,422
Contributions receivable	-	3,200
Employee retention tax credit receivable	76,105	76,105
Prepaid expenses	1,696	2,106
Furniture and equipment less accumulated depreciation of \$10,121 (\$9,916 in 2022)	2,440	57
Total assets	\$ 265,025	\$ 344,395
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 6,549	\$ 6,456
Accrued salaries	25,127	20,997
Total liabilities	31,676	27,453
Net assets:		
Net assets without donor restrictions	233,349	296,242
Net assets with donor restrictions	-	20,700
Total net assets	233,349	316,942
Total liabilities and net assets	\$ 265,025	\$ 344,395

See accompanying notes.

SIT STAY READ! INC.
Statement of Activities
For the Year Ended June 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:			
Donations	\$ 157,367	\$ 2,500	\$ 159,867
Grants	139,470		139,470
In-kind donations	48,384	-	48,384
Net investment income	3,206	-	3,206
Other income	34,060	-	34,060
Net assets released from restrictions	23,200	(23,200)	-
Total revenues, gains and other support	405,687	(20,700)	384,987
Fund-raiser revenues:			
Special event revenue	168,017	-	168,017
Related special event expense	(78,941)	-	(78,941)
Net fund-raiser revenues	89,076	-	89,076
Total revenues	494,763	(20,700)	474,063
Expenses:			
Program services	299,282	-	299,282
Management and general	78,893	-	78,893
Fund-raising	179,481	-	179,481
Total expenses	557,656	-	557,656
Changes in net assets	(62,893)	(20,700)	(83,593)
Net assets, beginning of the year	296,242	20,700	316,942
Net assets, end of the year	\$ 233,349	\$ -	\$ 233,349

See accompanying notes.

SIT STAY READ! INC.
Statement of Activities
For the Year Ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:			
Donations	\$ 120,011	\$ 3,200	\$ 123,211
Grants	114,000	17,500	131,500
In-kind donations	37,448	-	37,448
Net investment (loss)	(1,371)	-	(1,371)
Other income	251	-	251
Employee retention tax credit	76,105	-	76,105
Net assets released from restrictions	60,500	(60,500)	-
Total revenues, gains and other support	<u>406,944</u>	<u>(39,800)</u>	<u>367,144</u>
Fund-raiser revenues:			
Special event revenue	133,889	-	133,889
Related special event expense	(45,671)	-	(45,671)
Net fund-raiser revenues	<u>88,218</u>	<u>-</u>	<u>88,218</u>
Total revenues	<u>495,162</u>	<u>(39,800)</u>	<u>455,362</u>
Expenses:			
Program services	384,531	-	384,531
Management and general	73,325	-	73,325
Fund-raising	100,402	-	100,402
Total expenses	<u>558,258</u>	<u>-</u>	<u>558,258</u>
Changes in net assets	(63,096)	(39,800)	(102,896)
Net assets, beginning of the year	<u>359,338</u>	<u>60,500</u>	<u>419,838</u>
Net assets, end of the year	<u>\$ 296,242</u>	<u>\$ 20,700</u>	<u>\$ 316,942</u>

See accompanying notes.

SIT STAY READ! INC.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Literacy Program	Management and General	Fund-raising	Total
Expenses:				
Salaries and wages	\$ 246,646	\$ 30,369	\$ 152,046	\$ 429,061
Employee benefits	2,693	-	3,368	6,061
Payroll taxes	21,127	2,316	14,135	37,578
Total personnel costs	270,466	32,685	169,549	472,700
Rent and utilities	19,969	3,216	5,420	28,605
Materials	4,477	-	-	4,477
Accounting	1,089	-	-	1,089
Advertising	1,407	250	4,018	5,675
Office expenses	628	90	179	897
Information technology	-	1,766	-	1,766
Insurance	-	6,146	-	6,146
Professional fees	-	9,405	-	9,405
Professional development	392	12,898	181	13,471
Personnel	-	-	-	-
Travel and entertainment	134	134	134	402
Bank and credit card fees	-	8,740	-	8,740
Volunteers	720	-	-	720
Governance	-	33	-	33
Depreciation	-	205	-	205
Other	-	3,325	-	3,325
Total expenses	\$ 299,282	\$ 78,893	\$ 179,481	\$ 557,656

See accompanying notes.

SIT STAY READ! INC.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Literacy Program	Management and General	Fund-raising	Total
Expenses:				
Salaries and wages	\$ 277,598	\$ 46,107	\$ 76,315	\$ 400,020
Employee benefits	6,805	575	383	7,763
Payroll taxes	21,489	3,546	5,954	30,989
Total personnel costs	305,892	50,228	82,652	438,772
Rent and utilities	25,497	2,372	1,779	29,648
Materials	18,670	-	-	18,670
Accounting	-	9,959	-	9,959
Advertising	-	-	1,485	1,485
Office expenses	144	127	2,575	2,846
Information technology	7,023	653	5,232	12,908
Insurance	8,959	833	625	10,417
Professional fees	-	-	1,555	1,555
Professional development	16,925	2,543	1,499	20,967
Personnel	627	58	44	729
Travel and entertainment	-	218	-	218
Bank and credit card fees	-	190	2,956	3,146
Volunteers	794	-	-	794
Governance	-	1,415	-	1,415
Depreciation	-	27	-	27
Other	-	4,702	-	4,702
Total expenses	\$ 384,531	\$ 73,325	\$ 100,402	\$ 558,258

See accompanying notes.

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (83,593)	\$ (102,896)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	205	27
Unrealized (gain) loss on investments	(2,910)	1,496
Reinvested interest income	(291)	(110)
Contribution of securities	-	(4,943)
Cash from other operating activities:		
Contributions receivable	3,200	16,800
Employee retention tax credit receivable	-	(76,105)
Prepaid expenses	410	15,237
Accounts payable and accrued expenses	4,223	3,971
Net change from operations	(78,756)	(146,523)
Cash flows from investing activities - purchase of property and equipment	<u>(2,588)</u>	<u>-</u>
Net change in cash and cash equivalents	(81,344)	(146,523)
Cash and cash equivalents, beginning of the year	<u>214,505</u>	<u>361,028</u>
Cash and cash equivalents, end of the year	<u>\$ 133,161</u>	<u>\$ 214,505</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 Presentation – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes: with donor restrictions and without donor restrictions.

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of the Organization's mission, and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of the Organization or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor restrictions that are met in the same year as received are reported as being received without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor imposed restrictions are released when restrictions expire (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed). Contributions, including 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 substantially met. Contributions of assets other than cash 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.

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

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

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

Investments – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statement of activities.

Investment income/(loss) is reported net in the statement of activities and consists of realized and unrealized gains and losses, less external and direct internal investment expenses. Interest and dividends and investment return are reflected in the statement of activities as income without donor restrictions or income with donor restrictions based upon the existence and nature of any donor restrictions. Interest and dividends and investment return that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the interest and dividends and investment return are recognized.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

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.

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

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

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. There were no unconditional promises to give at June 30, 2023 (\$3,200 at June 30, 2022). The Organization considers all contributions receivable fully collectible. Accordingly, no allowance for credit losses has been established at June 30, 2023 and 2022.

Furniture and Equipment – Betterments and replacements of major items of property are capitalized. Maintenance, repairs and minor replacements are expensed. The cost of furniture and equipment sold or retired is removed from the related furniture and equipment and accumulated depreciation accounts, and the resultant gain or loss is recorded. Depreciation of furniture and equipment is provided by the straight-line method over the following estimated useful lives:

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

Employee Retention Tax Credit – The Organization records a receivable and revenue for amounts claimed under the Employee Retention Tax Credit (“ERTC”) provisions of the Coronavirus Aid, Relief, and Economic Security Act, as expanded from time-to-time, as a conditional contribution in accordance with the ASC 958-605. Under ASC 958-605, revenue is recognized for contributions when conditions associated with the contribution are substantially met.

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 for taxes on unrelated business income generated from unrelated or trade business activities. There was no unrelated business income for the years ended June 30, 2023 and 2022. Accordingly, no provision for income tax is included in the financial statements. The Organization’s tax returns for the years ended June 30, 2020 through 2022, are open years for purposes of any future IRS or applicable state examinations.

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

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

In-kind Contributions – In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement enhances the presentation and disclosure requirements related to contributions of nonfinancial assets for annual periods beginning after June 15, 2021. As such, the Organization adopted the applicable provisions of this standard for the year ended June 30, 2022, through updating the presentation of the statement of activities and disclosures contained in Note 6.

In-kind contributions can include certain donated goods and services. Donated goods are recorded as revenue at fair value and a corresponding expense in the period donated goods are received. Donated services are recorded as revenue at fair value and corresponding expense in the period services were performed if (a) those professional services 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 services were not provided by donation.

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, 2023, the Organization received \$48,384 of in-kind items primarily related to program services and fund-raising activities (\$37,488 for the year ended June 30, 2022). The Organization records an equal amount of in-kind donations and expense for these items at fair value.

Subsequent Events – Subsequent events have been evaluated through May 9, 2024, which is the date the financial statements were available to be issued.

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:

	2023	2022
Equipment	\$ 4,945	\$ 4,330
Furniture and fixtures	7,616	5,643
Total	12,561	9,973
Less accumulated depreciation	10,121	9,916
Total furniture and equipment, net	\$ 2,440	\$ 57

Depreciation expense was \$205 and \$27 for the years ended June 30, 2023 and 2022, respectively.

3. Net Assets

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

	2023	2022
Unconditional promises to give	\$ -	\$ 3,200
Program funding	-	17,500
Total net assets with donor restrictions	\$ -	\$ 20,700

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:

	2023	2022
Cash and cash equivalents	\$ 133,161	\$ 214,505
Investments	51,623	48,422
Contributions receivable	-	3,200
	184,784	266,127
Less:		
Net assets with donor restrictions	-	20,700
	\$ 187,784	\$ 245,427

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, 2023 (\$21,600 during the year ended June 30, 2022). 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, 2023, was \$21,600 (\$21,600 for the year ended June 30, 2022).

6. Gifts in kind

In-kind contributions consisted of the following for the periods ended June 30:

	2023	2022
Donated use of space	\$ 21,600	\$ 21,600
Donated raffle/auction items	26,784	-
Donated books	-	4,998
Donated office supplies	-	3,850
Donated software access	-	7,000
	\$ 48,384	\$ 37,448

All gifts in kind received by the Organization for the period ended June 30, 2023, were considered without donor restrictions and able to be used by the Organization as it determined in its mission, and for literacy program services. Donated use of space and materials are reflected in the accompanying financial statements at their fair values at the date of donation. Fair values are stated at the price that would have been charged by the donor had the Organization purchased them. Use of space is valued using the rental price per square foot of comparable properties in the area.

7. Uncertainties

The Organization has claimed the ERTC and has received PPP loan forgiveness payments from the SBA. The retention of funds under these programs generally requires meeting specific eligibility criteria and compliance with certain terms and conditions and is subject to examination by the IRS and the SBA, as applicable. Any disallowed claims resulting from such examinations could become a liability. Management believes the Organization has qualified for the ERTC and has claimed the ERTC in compliance with laws, regulations, and formal guidance issued by the IRS. Management believes the Organization has also qualified to receive PPP loans and has met the requisite conditions to have the loans forgiven in full. However, there can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERTC or examine the use of PPP loans, and it is not possible to determine the effect, if any, this would have on the Organization's financial statements.