



**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

SIT STAY READ! INC.
Audit Report
For the Year Ended June 30, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Effect of Adopting a New Accounting Standard

As discussed in Note 1, SIT STAY READ! INC. adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Selden Fox, Ltd.

November 7, 2019

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

	2019	2018
Assets		
Cash and cash equivalents	\$ 360,823	\$ 219,846
Investments	34,068	31,458
Contributions receivable	2,046	40,370
Prepaid expenses	4,662	-
Furniture and equipment less accumulated depreciation of \$9,577 (\$8,783 in 2018)	396	1,190
Total assets	\$ 401,995	\$ 292,864
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,114	\$ 13,185
Accrued salaries	2,216	1,493
Accrued vacation	9,488	9,625
Total liabilities	13,818	24,303
Net assets:		
Net assets without donor restrictions	386,131	228,191
Net assets with donor restrictions	2,046	40,370
Total net assets	388,177	268,561
Total liabilities and net assets	\$ 401,995	\$ 292,864

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	<u>581,515</u>	<u>(38,324)</u>	<u>543,191</u>
Fund-raiser revenues:			
Special event revenue	225,315	-	225,315
Related special event expense	(40,420)	-	(40,420)
Net fund-raiser revenues	<u>184,895</u>	<u>-</u>	<u>184,895</u>
Total revenues	<u>766,410</u>	<u>(38,324)</u>	<u>728,086</u>
Expenses:			
Program services	468,318	-	468,318
Management and general	63,808	-	63,808
Fund-raising	76,344	-	76,344
Total expenses	<u>608,470</u>	<u>-</u>	<u>608,470</u>
Changes in net assets	157,940	(38,324)	119,616
Net assets, beginning of the year	<u>228,191</u>	<u>40,370</u>	<u>268,561</u>
Net assets, end of the year	<u>\$ 386,131</u>	<u>\$ 2,046</u>	<u>\$ 388,177</u>

See accompanying notes.

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:			
Donations	\$ 189,583	\$ 40,370	\$ 229,953
Grants	166,074	26,800	192,874
Net investment income	36	-	36
Net assets released from restrictions	81,800	(81,800)	-
Total revenues, gains and other support	437,493	(14,630)	422,863
Fund-raiser revenues:			
Special event revenue	183,396	-	183,396
Related special event expense	(42,894)	-	(42,894)
Net fund-raiser revenues	140,502	-	140,502
Total revenues	577,995	(14,630)	563,365
Expenses:			
Program services	422,278	-	422,278
Management and general	58,361	-	58,361
Fund-raising	61,604	-	61,604
Total expenses	542,243	-	542,243
Changes in net assets	35,752	(14,630)	21,122
Net assets, beginning of the year	192,439	55,000	247,439
Net assets, end of the year	\$ 228,191	\$ 40,370	\$ 268,561

See accompanying notes.

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

	Literacy Program	Management and General	Fund-raising	Total
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 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
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 Cash Flows
For the Year Ended June 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 119,616	\$ 21,122
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	794	1,497
Reinvested interest income	(96)	(36)
Donations of property and equipment	-	(150)
Contribution of securities	(2,514)	-
Cash from other operating activities:		
Accounts receivable	-	4,623
Donations and grants receivable	38,324	(370)
Prepaid expenses	(4,662)	896
Accounts payable and accrued expenses	(10,485)	7,497
Net change in cash and cash equivalents	140,977	35,079
Cash and cash equivalents, beginning of the year	<u>219,846</u>	<u>184,767</u>
Cash and cash equivalents, end of the year	<u>\$ 360,823</u>	<u>\$ 219,846</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, 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 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, 2019, the Organization has \$112,591 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)

New Accounting Pronouncement – The Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization was required to implement this new standard in fiscal year 2019. As a result of the update, transactions and balances previously reported as unrestricted are now being reported as being without donor restrictions, while transactions and balances previously reported as temporarily restricted are now reported as being with donor restrictions, and there is added disclosure about the Organization's liquidity and availability of funds (Note 4). The ASU has been applied retrospectively to all periods presented. The changes had no impact on the amount of previously reported net assets.

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 \$2,046 at June 30, 2019 (\$40,370 at June 30, 2018).

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

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

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, 2019, the Organization received \$82,883 of in-kind items primarily related to program services and fund-raising activities (\$71,291 for the year ended June 30, 2018). The Organization records an equal amount of contribution revenue and expense for these items at fair value.

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, 2019 and 2018. Accordingly, no provision for income tax is included in the financial statements. The Organization's tax returns for the years ended June 30, 2016 through 2018, are open years for purposes of any future IRS or Illinois Department of Revenue examinations.

Subsequent Events – Subsequent events have been evaluated through November 7, 2019, 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:

	<u>2019</u>	<u>2018</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>9,577</u>	<u>8,783</u>
Total furniture and equipment, net	<u>\$ 396</u>	<u>\$ 1,190</u>

Depreciation expense was \$794 for the year ended June 30, 2019 (\$1,497 for the year ended June 30, 2018).

3. Net Assets

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

	<u>2019</u>	<u>2018</u>
4. Unconditional promises to give	<u>\$ 2,046</u>	<u>\$ 40,370</u>

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 360,823	\$ 219,846
Investments	34,068	31,458
Contributions receivable	<u>2,046</u>	<u>40,370</u>
	396,937	291,674
Less:		
Net assets with donor restrictions	<u>2,046</u>	<u>40,370</u>
	<u>\$ 394,891</u>	<u>\$ 251,304</u>

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, 2019 (\$21,600 during the year ended June 30, 2018). 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, 2019, was \$21,600 (\$21,600 for the year ended June 30, 2018).