



WAUKEGAN TO COLLEGE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

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WAUKEGAN TO COLLEGE
TABLE OF CONTENTS
JUNE 30, 2023

| | PAGE |
|--|------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS | 3 |
| STATEMENT OF SUPPORT, REVENUE AND EXPENSES – MODIFIED CASH BASIS | 4 |
| STATEMENT OF FUNCTIONAL EXPENSE – MODIFIED CASH BASIS | 5 |
| NOTES TO FINANCIAL STATEMENTS | 6 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Waukegan To College
Waukegan, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of

WAUKEGAN TO COLLEGE
(a non-profit organization)

which comprise the statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2023, and the related statement of support, revenue and expenses – modified cash basis and statement of functional expense – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of Waukegan To College as of June 30, 2023, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Waukegan To College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in the notes to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 GAAS 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 GAAS, 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 Waukegan To College'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 Waukegan To College'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.

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McHenry, Illinois
December 1, 2023

WAUKEGAN TO COLLEGE
STATEMENT OF ASSETS, LIABILITIES, AND NET
ASSETS - MODIFIED CASH BASIS
JUNE 30, 2023

| | |
|---|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 952,565 |
| Operating Right-of-Use Assets, Net | 39,905 |
| Property and Equipment, Net | <u>229,760</u> |
| TOTAL ASSETS | <u>\$ 1,222,230</u> |
| LIABILITIES | |
| Credit Card Payable | \$ 11,975 |
| Current Portion of Operating Leases | <u>6,569</u> |
| TOTAL CURRENT LIABILITIES | <u>\$ 18,544</u> |
| LONG-TERM LIABILITIES | |
| Long-Term Portion of Operating Leases | <u>34,836</u> |
| TOTAL LIABILITIES | <u>\$ 53,380</u> |
| NET ASSETS | |
| With Donor Restriction | \$ 117,775 |
| Without Donor Restriction | <u>1,051,075</u> |
| TOTAL NET ASSETS | <u>1,168,850</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,222,230</u> |

The Notes to Financial Statements are an integral part of this statement.

**WAUKEGAN TO COLLEGE
STATEMENT OF SUPPORT, REVENUE
AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| REVENUES AND SUPPORT | | | |
| Contributions | \$ 700,515 | \$ 117,775 | \$ 818,290 |
| Special Events | 1,675 | - | 1,675 |
| In-Kind Contributions | 14,640 | - | 14,640 |
| Investment Return, Net | 17,556 | - | 17,556 |
| Release from Restriction | 72,927 | (72,927) | - |
| TOTAL REVENUE AND SUPPORT | \$ 807,313 | \$ 44,848 | \$ 852,161 |
| EXPENSES | | | |
| Program Services | \$ 614,427 | \$ - | \$ 614,427 |
| Supporting Services | | | |
| Management and General | 130,031 | - | 130,031 |
| Fundraising | 152,513 | - | 152,513 |
| TOTAL EXPENSES | \$ 896,971 | \$ - | \$ 896,971 |
| CHANGE IN NET ASSETS | \$ (89,658) | \$ 44,848 | \$ (44,810) |
| NET ASSETS AT BEGINNING OF YEAR | 953,696 | 72,927 | 1,026,623 |
| NET ASSET ADJUSTMENT | 187,037 | - | 187,037 |
| NET ASSETS AT END OF YEAR | \$ 1,051,075 | \$ 117,775 | \$ 1,168,850 |

The Notes to Financial Statements are an integral part of this statement.

WAUKEGAN TO COLLEGE
STATEMENT OF FUNCTIONAL EXPENSE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

| | Supporting Services | | | | Total Supporting Services | Total Expenses |
|--------------------------|---------------------|---------------------------|-------------------|-------------------|---------------------------------|-------------------|
| | Program Services | Management and General | Fundraising | | | |
| Academic Advisement | \$ 18,462 | \$ - | \$ - | \$ - | \$ 18,462 | |
| Alumni Program | 1,249 | - | - | - | - | 1,249 |
| College Programs | 43,776 | - | - | - | - | 43,776 |
| Community Outreach | 17,175 | - | - | - | - | 17,175 |
| Conferences and Meetings | - | 1,696 | - | - | 1,696 | 1,696 |
| Depreciation | 40,911 | - | - | - | - | 40,911 |
| Health Insurance | 19,572 | 3,474 | 6,094 | 9,568 | 29,140 | |
| Information Technology | 3,526 | 441 | 441 | 881 | 881 | 4,407 |
| Insurance | - | 5,466 | - | 5,466 | 5,466 | 5,466 |
| Marketing | 5,552 | 5,552 | - | 5,552 | 5,552 | 11,103 |
| Occupancy | 23,024 | 2,878 | 2,878 | 5,756 | 5,756 | 28,780 |
| Office Expense | 6,381 | 3,395 | 1,573 | 4,968 | 4,968 | 11,349 |
| Other Payroll Benefits | 897 | 159 | 279 | 438 | 438 | 1,335 |
| Payroll Taxes | 25,001 | 4,438 | 7,784 | 12,222 | 12,222 | 37,223 |
| Pension Expense | 4,869 | 864 | 1,516 | 2,380 | 2,380 | 7,249 |
| Professional Development | 5,561 | 987 | 1,731 | 2,718 | 2,718 | 8,279 |
| Professional Fees | 3,332 | 41,289 | 15,000 | 56,289 | 56,289 | 59,621 |
| Salaries | 328,697 | 58,347 | 102,334 | 160,681 | 160,681 | 489,378 |
| Scholarships | 62,280 | - | - | - | - | 62,280 |
| Staff Development | 2,054 | 1,027 | 1,027 | 2,054 | 2,054 | 4,107 |
| Supplies | - | - | 11,818 | 11,818 | 11,818 | 11,818 |
| Travel | 121 | - | - | - | - | 121 |
| Volunteer Program | 1,508 | - | - | - | - | 1,508 |
| Website | 135 | 19 | 39 | 58 | 58 | 193 |
| Workshop Expense | 345 | - | - | - | - | 345 |
| | \$ 614,427 | \$ 130,031 | \$ 152,513 | \$ 282,544 | \$ 282,544 | \$ 896,971 |

The Notes to Financial Statements are an integral part of this statement.

**WAUKEGAN TO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Waukegan to College NFP (Organization) is a non-for-profit corporation organized in 2012 under the laws of the State of Illinois. The Organization's mission is to create brighter futures for students, families, and communities by preparing students to enroll in, and graduate from, college.

The Organization provides tutoring and academic advising to students in the Waukegan, Illinois area. The Organization also awards college scholarships to qualifying participants. Funding is derived principally from contributions from individuals, foundations, religious organizations, and corporations.

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when cash is received rather than earned and expenses are recorded when paid rather than when the obligation is incurred. Modifications to the cash basis accounting include recording depreciation on property and equipment.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's board of Directors and its management.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

Property and Equipment

The Organization capitalizes all expenditures for Property and Equipment with a cost of over \$5,000. Purchased Property and Equipment is carried at cost. Donated Property and Equipment is carried at fair

NOTES TO FINANCIAL STATEMENTS (Continued)

value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | Years |
|------------------------|-------|
| Leasehold Improvements | 7 |

Revenue and Revenue Recognition

Contributions are recognized when received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Support, Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis.

In-Kind Contributions

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission.

Leases

Under the guidance of Topic 842, the Organization determines if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization is the lessee in a lease contract when it obtains the right to control the asset. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent The Organization's obligation to make lease payments arising from these leases. The ROU assets resulting from operating leases and the related liabilities are separately stated on the face of the Statement of Net Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. ROU assets also can include adjustments related to lease payments made and/or lease incentives received at or before the commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

Finance leases are those in which transfer ownership, or an arrangement which results in either the present value of lease payments being greater than 90% of the fair market value of the asset or lease term being greater than 75% of the estimated useful life of the asset. Finance lease ROU assets and the related liabilities are separately stated on the face of the Statement of Net Position. The ROU asset is amortized over either the useful life of the asset or lease term, depending on the facts and circumstances of the lease. The Organization does not currently have any material financing type leases that fall under this policy.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenue, Support and Expenses – Modified Cash Basis and Statement of Functional

NOTES TO FINANCIAL STATEMENTS (Continued)

Expense – Modified Cash Basis. All direct expenses have been allocated to the respective function. Activities such as administrative, bank fees, dues and subscriptions, marketing and website were allocated based on an estimate of purpose. Contract labor is allocated based on time spent on each activity.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended June 30, 2023. Management represents there are no uncertain tax position or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains four bank accounts at two financial institutions. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at June 30, 2023 exceeded federally insured limits by approximately \$443,000. The Organization has not experienced any losses in such accounts. Management represents it is not exposed to any significant credit risk on its cash balances.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

NOTES TO FINANCIAL STATEMENTS (Continued)

- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at June 30, 2023. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTE 4 - INVESTMENTS

Investment return for the year ended June 30, 2023 consists of the following:

| | |
|-----------------------|------------------|
| Interest Income | \$ 17,563 |
| Unrealized Gain/Loss | 103 |
| Realized Gain/Loss | (110) |
| Return on Investments | <u>\$ 17,556</u> |

NOTE 5 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the balance sheet date to meet general expenditures.

The Organization's financial assets available to meet general expenses comprise the following:

| | |
|---|-------------------|
| Financial Assets at year end: | |
| Cash and Cash Equivalents | \$ 952,565 |
| | <u>\$ 952,565</u> |
| Less amounts not available to be used within one year: | |
| Net Assets with Donor Restrictions | <u>117,775</u> |
| Financial assets available to meet general expenses over the next twelve months | <u>\$ 834,790</u> |

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and Equipment owned by the Organization at June 30, 2023 consist of the following:

| | Cost | Accumulated Depreciation | Book Value |
|------------------------|-------------------|--------------------------|-------------------|
| Leasehold Improvements | \$ 296,950 | \$ 67,190 | \$ 229,760 |
| Total | <u>\$ 296,950</u> | <u>\$ 67,190</u> | <u>\$ 229,760</u> |

Depreciation expense in the amount of \$40,911 is reported on the Statement of Functional Expense – Modified Cash Basis for the year ended June 30, 2023.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions existed at June 30, 2023 for the following purposes:

NOTES TO FINANCIAL STATEMENTS (Continued)

| Purpose for Restrictions | Amount |
|--------------------------|-------------------|
| Falkingham Scholarship | \$ 40,000 |
| Gutman Scholarship | 14,775 |
| Reckling Scholarship | 43,000 |
| Hope Scholarship | <u>20,000</u> |
| Total | <u>\$ 117,775</u> |

Net assets released from donor restrictions due to occurrence of expenditure in the amount of \$72,927 is reported on the Statement of Support, Revenue, and Expenses - Modified Cash Basis for the year ended June 30, 2023.

NOTE 8 - IN-KIND CONTRIBUTIONS

For the year ended June 30, 2023, gifts in-kind recognized within the Statement of Support, Revenue, and Expenses - Modified Cash Basis included:

| | 2023 |
|------------|------------------|
| Services | \$ 1,140 |
| Facilities | <u>13,500</u> |
| | <u>\$ 14,640</u> |

The Organization benefited from bookkeeping services in the amount of \$1,140. In-Kind contributions of bookkeeping services were determined using 60% of the total invoice amount.

The Organization benefits from the use of office space donated by a local business owner. Management has estimated a monthly value for these donated facilities in the amount of \$1,125 determined by the current rent market rate.

NOTE 9 - LEASES

Lessee: The Organization's operating leases consist of a real estate lease for an office space in the building.

Summary of leases and future maturities of lease liabilities are presented in the following table for the fiscal year ended June 30, 2023:

NOTES TO FINANCIAL STATEMENTS (Continued)

Components of Lease Cost:

| | |
|-------------------------------------|------------------|
| Operating Lease Cost | \$ 8,700 |
| Amortization of right-of-use assets | 7,267 |
| Total Lease Cost | \$ 15,967 |

Operating

| | |
|--------------------------------|------------------|
| ROU Assets | \$ 47,172 |
| Accumulated Amortization | (7,267) |
| Total Lease Liabilities | \$ 39,905 |

| | |
|-------------------------|-----------|
| Total Lease Liabilities | \$ 41,405 |
|-------------------------|-----------|

| | |
|--|------------|
| Weighted Average Remaining Lease Term: | 5.00 years |
|--|------------|

| | |
|---------------------------------|-------|
| Weighted Average Discount Rate: | 3.26% |
|---------------------------------|-------|

Future Lease Maturities:

| | |
|------|------------------|
| 2024 | \$ 6,569 |
| 2025 | 7,397 |
| 2026 | 8,253 |
| 2027 | 9,136 |
| 2028 | 10,050 |
| | \$ 41,405 |

NOTE 10 - EMPLOYEE RENTENTION CREDIT

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act for two quarters in 2021 and three quarters of 2020. The Organization received a total of \$187,037 under this program, of which all was recorded as a net asset adjustment.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 1, 2023, the date on which the financial statements were available to be issued.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): The Organization did not restate prior periods as presented under FASB ASC 840 and instead made the adjustment as of July 1, 2022 for the cumulative impact of adoption of FASB ASC 842.