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815.344.1300  
www.edercasella.com

**WAUKEGAN TO COLLEGE**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Waukegan To College  
Waukegan, Illinois

### **Report on the Financial Statements**

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, 2021, and the related statement of support, revenue and expenses – modified cash basis, statement of functional expense – modified cash basis and statement of cash flow – modified cash basis for the year 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 the modified cash basis of accounting as described in Note 1; this includes 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 Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization'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 Organization'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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Waukegan To College as of June 30, 2021, and its support, revenue and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **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 Note 12 to the financial statements, the Organization adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively ASC 606)* and ASU 2018-08 *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
January 18, 2022

WAUKEGAN TO COLLEGE  
STATEMENT OF ASSETS, LIABILITIES, AND NET  
ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2021

|                                  |                   |
|----------------------------------|-------------------|
| ASSETS                           |                   |
| Cash and Cash Equivalents        | \$ 844,027        |
| Property and Equipment, Net      | <u>69,138</u>     |
| TOTAL ASSETS                     | <u>\$ 913,165</u> |
| <br>                             |                   |
| LIABILITIES                      |                   |
| Credit Card Payable              | \$ 1,870          |
| Deposits                         | <u>1,715</u>      |
| TOTAL LIABILITIES                | <u>\$ 3,585</u>   |
| <br>                             |                   |
| NET ASSETS                       |                   |
| With Donor Restriction           | \$ 73,913         |
| Without Donor Restriction        | <u>835,667</u>    |
| TOTAL NET ASSETS                 | <u>\$ 909,580</u> |
| <br>                             |                   |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 913,165</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, 2021

|                                        | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|----------------------------------------|-------------------------------|----------------------------|-------------------|
| <b>REVENUES AND SUPPORT</b>            |                               |                            |                   |
| Contributions                          | \$ 635,794                    | \$ 49,984                  | \$ 685,778        |
| Grants                                 | 63,452                        | -                          | 63,452            |
| Special Events                         | 106,777                       | -                          | 106,777           |
| In-Kind Contributions                  | 14,790                        | -                          | 14,790            |
| Investment Return, Net                 | 477                           | -                          | 477               |
| Miscellaneous Income                   | 4,394                         | -                          | 4,394             |
| Release from Restriction               | 25,356                        | (25,356)                   | -                 |
| <b>TOTAL REVENUE AND SUPPORT</b>       | <b>\$ 851,040</b>             | <b>\$ 24,628</b>           | <b>\$ 875,668</b> |
| <b>EXPENSES</b>                        |                               |                            |                   |
| Program Services                       | \$ 369,793                    | \$ -                       | \$ 369,793        |
| Supporting Services                    |                               |                            |                   |
| Management and General                 | 104,927                       | -                          | 104,927           |
| Fundraising                            | 121,652                       | -                          | 121,652           |
| <b>TOTAL EXPENSES</b>                  | <b>\$ 596,372</b>             | <b>\$ -</b>                | <b>\$ 596,372</b> |
| <b>CHANGE IN NET ASSETS</b>            | <b>\$ 254,668</b>             | <b>\$ 24,628</b>           | <b>\$ 279,296</b> |
| <b>NET ASSETS AT BEGINNING OF YEAR</b> | <b>580,999</b>                | <b>49,285</b>              | <b>630,284</b>    |
| <b>NET ASSETS AT END OF YEAR</b>       | <b>\$ 835,667</b>             | <b>\$ 73,913</b>           | <b>\$ 909,580</b> |

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, 2021

|                          | Supporting Services |                           |             |                                 | Total<br>Expenses |
|--------------------------|---------------------|---------------------------|-------------|---------------------------------|-------------------|
|                          | Program<br>Services | Management<br>and General | Fundraising | Total<br>Supporting<br>Services |                   |
| Academic Advisement      | \$ 8,379            | \$ -                      | \$ -        | \$ -                            | \$ 8,379          |
| Alumni Program           | 813                 | -                         | -           | -                               | 813               |
| College Programs         | 8,577               | -                         | -           | -                               | 8,577             |
| Community Outreach       | 16,804              | -                         | -           | -                               | 16,804            |
| Conferences and Meetings | 325                 | 282                       | 282         | 564                             | 889               |
| Depreciation             | 4,540               | -                         | -           | -                               | 4,540             |
| Health Insurance         | 15,246              | 4,226                     | 6,137       | 10,363                          | 25,609            |
| Information Technology   | 2,837               | 355                       | 355         | 710                             | 3,547             |
| Insurance                | -                   | 5,027                     | -           | 5,027                           | 5,027             |
| Membership Dues          | 5,000               | -                         | -           | -                               | 5,000             |
| Occupancy                | 15,120              | 1,890                     | 1,890       | 3,780                           | 18,900            |
| Office Expense           | 3,806               | 1,319                     | 1,280       | 2,599                           | 6,405             |
| Other Payroll Benefits   | 698                 | 194                       | 281         | 475                             | 1,173             |
| Payroll Taxes            | 18,115              | 5,022                     | 7,292       | 12,314                          | 30,429            |
| Pension Expense          | 3,238               | 898                       | 1,304       | 2,202                           | 5,440             |
| Professional Development | -                   | 2,771                     | -           | 2,771                           | 2,771             |
| Professional Fees        | -                   | 17,233                    | -           | 17,233                          | 17,233            |
| Salaries                 | 236,815             | 65,645                    | 95,309      | 160,954                         | 397,769           |
| Scholarships             | 26,026              | -                         | -           | -                               | 26,026            |
| Supplies                 | -                   | -                         | 7,391       | 7,391                           | 7,391             |
| Transportation           | 276                 | -                         | -           | -                               | 276               |
| Volunteer Program        | 1,158               | -                         | -           | -                               | 1,158             |
| Website                  | 457                 | 65                        | 131         | 196                             | 653               |
| Workshop Expense         | 1,563               | -                         | -           | -                               | 1,563             |
|                          | \$ 369,793          | \$ 104,927                | \$ 121,652  | \$ 226,579                      | \$ 596,372        |

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

WAUKEGAN TO COLLEGE  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2021

|                                                                                           |    |            |
|-------------------------------------------------------------------------------------------|----|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                      |    |            |
| Change in Net Assets                                                                      | \$ | 279,296    |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Used by Operating Activities |    |            |
| Depreciation Expense                                                                      |    | 4,540      |
| Increase/(Decrease) in Liabilities:                                                       |    |            |
| Credit Card Payable                                                                       |    | (1,082)    |
| Deposits                                                                                  |    | (67,543)   |
| Net Cash Flows Provided/(Used) by Operating Activities                                    |    | \$ 215,211 |
| CASH FLOWS FROM FINANCING ACTIVITIES                                                      |    |            |
| Purchase of Fixed Assets                                                                  | \$ | (34,900)   |
| Net Cash Flows Provided/(Used) by Financing Activities                                    |    | (34,900)   |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS                                      | \$ | 180,311    |
| CASH AND CASH EQUIVALENTS BALANCE AT BEGINNING OF YEAR                                    |    | 663,716    |
| CASH AND CASH EQUIVALENTS BALANCE AT END OF YEAR                                          | \$ | 844,027    |

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



WAUKEGAN TO COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

|                       |              |
|-----------------------|--------------|
|                       | <u>Years</u> |
| Leashold Improvements | 7            |

### *Revenue and Revenue Recognition*

The Organization recognized records special events revenue equal to the fair value of direct benefit to donors and contributions income for the excess received when the event takes place.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. 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 activities – modified cash basis. Management represents that all promises are 100% collectible and therefore no allowance is recognized in the financial statements.

### *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.

### *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 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, 2021. 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).

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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, 2021 exceeded federally insured limits by approximately \$373,000. 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.
- *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, 2021. 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, 2021 consists of the following:

|                       |    |            |
|-----------------------|----|------------|
| Interest Income       | \$ | 23         |
| Realized Gain/Loss    |    | 454        |
| Return on Investments | \$ | <u>477</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)

**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                                                       | \$ 844,027               |
|                                                                                 | <u>\$ 844,027</u>        |
| Less amounts not available to be used within one year:                          |                          |
| Net Assets with Donor Restrictions                                              | <u>73,913</u>            |
| Financial assets available to meet general expenses over the next twelve months | <u><u>\$ 770,114</u></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, 2021 consist of the following:

|                          | Cost             | Accumulated<br>Depreciation | Book Value       |
|--------------------------|------------------|-----------------------------|------------------|
| Leasehold Improvements   | \$ 32,778        | \$ 4,540                    | \$ 28,238        |
| Construction in Progress | 40,900           | -                           | 40,900           |
| Total                    | <u>\$ 73,678</u> | <u>\$ 4,540</u>             | <u>\$ 69,138</u> |

Depreciation expense in the amount of \$4,540 is reported on the Statement of Functional Expense – Modified Cash Basis for the year ended June 30, 2021.

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions existed at June 30, 2021 for the following purposes:

| Purpose for Restrictions | Amount                  |
|--------------------------|-------------------------|
| Falkinham Scholarship    | \$ 49,648               |
| Gutman Scholarship       | 19,265                  |
| Hope Scholarship         | <u>5,000</u>            |
| Total                    | <u><u>\$ 73,913</u></u> |

Net assets released from donor restrictions due to occurrence of expenditure in the amount of \$25,356 is reported on the Statement of Support, Revenue, and Expenses - Modified Cash Basis for the year ended June 30, 2021.

**NOTE 8 - IN-KIND CONTRIBUTIONS**

The Organization benefited from bookkeeping services in the amount of \$1,290. In-Kind contributions of bookkeeping services in the amount of \$1,290 are included in In-Kind Contributions on the Statement of Support, Revenue and Expenses – Modified Cash Basis and as professional fees on the Statement of Functional Expense – Modified Cash Basis for the year ended June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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 a month. In-Kind contributions of facilities in the amount of \$13,500 are included in In-Kind Contributions on the Statement of Support, Revenue, and Expenses – Modified Cash Basis and as Occupancy Expense on the Statement of Functional Expense – Modified Cash Basis for the year ended June 30, 2021.

### NOTE 9 - OPERATING LEASE - LESSEE

The Organization has a lease with Christ Episcopal Church which was extended through June 20, 2028. Under the lease, the Organization is liable for monthly rent payments that range from \$450 - \$900.

Rent expense for the year ended June 30, 2021 was \$5,400. This is reported in Occupancy Expense on the Statement of Functional Expense – Modified Cash Basis for the year ended June 30, 2021.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2021 are:

| Year Ending June 30, 2021 |                  |
|---------------------------|------------------|
| 2022                      | \$ 6,600         |
| 2023                      | 7,200            |
| 2024                      | 7,800            |
| 2025                      | 8,400            |
| 2026                      | 9,000            |
| 2027                      | 9,600            |
| 2028                      | 10,200           |
| 2029                      | 10,800           |
|                           | <u>\$ 69,600</u> |

### NOTE 10 - PAYCHECK PROTECTION PROGRAM FORGIVEABLE LOAN

The Organization received a forgivable loan through the US Small Business Administration under CARES Act Paycheck Protection Program. The loan was \$63,452 and is fully forgiven as of June 30, 2021. The proceeds are recorded as grants on the Statement of Support, Revenue and Expenses – Modified Cash Basis.

### NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 18, 2022, the date on which the financial statements were available to be issued.

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various non-profits and has continued to impact these organizations. The Organization was impacted during the year ended June 30, 2021. However, the extent of any additional impact on the Organization is uncertain and cannot be reasonably estimated at this time

### NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08 Not-for-Profit Entities, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.