Taking kids far with the gift of literacy and the power of love.

By The Hand Club For Kids
2012 Annual Report
Praise God for our kids and the power of His transforming love. What a privilege it was to serve 851 kids this year—mind, body and soul—and to experience their joy as they earned our highest-ever average reading and math GPAs. Additionally, 75 percent of our students—more than ever—passed all of their classes with no failing grades. Fundamental to this success, 84 percent of our kids who have been enrolled for a year have made a profession of faith in Jesus Christ.

Because reading is critical for school—and life—this year’s emphasis was literacy skills. Through our literacy program, kids like Miesha, a 7th grader from Altgeld-Murray, are experiencing the power of the written word. Miesha began the school year reading at a 2nd grade level but is now reading at an 8th grade level—an increase of six grade levels in one year!

To encourage other kids to discover the benefits of reading—and to get good books into the hands of kids from under-resourced schools—our kids launched a public service announcement (PSA) with the help of Wade’s World Foundation.

Boosting our literacy skills has helped 100 percent of our seniors graduate this year, with 71 percent of them enrolling in a university. In contrast, Chicago’s high school graduation rate is approximately 50 percent—with only half of these students enrolling in college. With 22 students attending college this year, we congratulate Barbara Blount and Travis Smith for graduating from college, and Kiara Cook, who is expected to graduate after one more semester.

In spite of another year marked by a slow economy and low levels of charitable giving, we finished the year under budget for expenses and on budget for a planned increase in revenue. For the seventh year in a row, we were able to maintain the low cost of $5,700 per child, limiting 16 percent of our budget to development and administrative costs in order to allocate 84 percent towards the programming needs of our children.

Looking ahead, we hired three additional reading specialists this July for the upcoming school year, so each location will have a specialist on site. We are also extending our after-school hours and adding attendance days to our Club schedule this fall as well as expanding our college readiness program, as we did last year.

Having grown from 16 kids from Cabrini-Green, we look forward to serving 895 kids from four of the most under-resourced, high-risk neighborhoods this year and 5,000 by the year 2020.

For this to happen, we are dependent upon God’s blessings and the prayers and support of people like you. We are not endowed; we can only serve as many kids as allowed by the generosity of others.

Thank you on behalf of each child that we can serve—mind, body and soul. You are providing them with the gift of literacy and power of love!

Sincerely,

Donnita Travis
Founder and Executive Director

By The Hand is a Chicago-based, after-school program that emphasizes academic excellence while nurturing the whole child—mind, body and soul. Located within some of America’s most under-resourced, high-risk neighborhoods, By The Hand helps kids have abundant life.
Learning to read.

Learning to Read
Literacy is one of the best predictors of success in school—and in life. Yet, more than one third of Chicago’s students are not reading at grade level by the time they are in 3rd grade, according to Illinois Standards Achievement Test scores. The percentage is even higher for poor neighborhoods, where schools are under-resourced and overcrowded. Research shows that if a child cannot read proficiently by 3rd grade, he or she is four times more likely to drop out of school—eight times for African American and Latino children living in poverty. With adult low literacy being connected to a host of socioeconomic issues, the urgency of getting kids to read cannot be emphasized enough.

Reading to learn
Children who have more access to books read more—and the more kids read and are read to, the more proficient they become in reading. When children become good readers in the early grades, they are more likely to become better learners and, consequently, more likely to graduate from high school and enroll in college.

However, millions of poor Americans cannot afford to buy books at all. It is difficult to even find books to purchase in the poorest areas. For example, there’s only one book for sale for every 300 children in Philadelphia, according to a study of low-income neighborhoods. Clearly, kids from Chicago’s most under-resourced neighborhoods need special attention and additional resources if they are to develop a passion for reading—a need that By The Hand is helping to fill.

Reading to succeed
Kids who drop out of school often face a life of poverty and social failure. Sadly, nearly half of kids attending Chicago Public Schools (CPS) do not graduate, and of those who do graduate, approximately half do not attend college, according to National Clearinghouse Data, which tracks enrollment of high school graduates. By working closely with CPS and emphasizing literacy skills, a fundamental need for our kids, By The Hand is helping the most unlikely kids make extraordinary strides, advancing their education and reversing the trend of generational poverty.

Emphasizing literacy skills
By The Hand has always emphasized academic excellence. However, studies show that being able to read at grade level is a major predictor to academic success. For this reason, By The Hand expanded its literacy program this year. The program has been extremely successful under the leadership of reading coach Michele Hoekstra and her team of reading specialists. Replicating its success, we added three more reading specialists to our staff so each of our four locations has one dedicated to its kids. As a result, more of our kids are receiving the extra attention they need to learn to read at grade level. Last year, for students who were testing below the 50th percentile, we saw a 30 percent improvement in ISAT reading and a 43 percent improvement in ISAT math standards.
Hello. My name is Miesha.

Do you like surprises? Well, do I have one for you! But I am getting ahead of myself. I used to do anything to get out of reading. Reading looked hard so it was easier to get into trouble to get out of reading.

But this changed when I came to By The Hand. I was in 6th grade and Ms. Louise, a reading specialist at The Club, came and got me every week for our own reading time. At first I wasn’t too sure about reading with her. I wanted to hide and find excuses—especially during the first couple of times. But Ms. Louise wasn’t having any of that!

Understanding what I was reading wasn’t always easy, but Ms. Louise and I played vocabulary games and practiced reading more than one word at a time. She showed me how to decode words when I got stuck on a word that I didn’t know. She taught me different ways to figure things out. Her calming voice made me feel I could take my time. With Ms. Louise, reading was fun and easier.

Towards the end of the school year Ms. Louise tested me and said I went from reading 2nd grade books to reading 8th grade books. I couldn’t wait to tell my mom and teacher. That was six grade levels in one year!

So for a kid who used to do anything to get out of reading, I am going to tell you my surprise. I have enjoyed learning from Ms. Louise so much that I want to be a reading teacher when I grow up!

Miesha, a 7th grader from Altgeld-Murray, struggled with school work because she was reading at a 2nd grade level. However, by the end of the school year, she was reading at an 8th grade level. This dramatic transformation in her reading was mirrored by a dramatic improvement in her reading grade from an F to a B.
Sharing the gift of literacy with others
To encourage other kids from Chicago’s most under-resourced neighborhoods to read, our kids created and launched a literacy campaign for this year’s learning experience.

This involved 498 of our kids participating in a contest to develop a public service announcement (PSA) designed to motivate kids to discover the benefits of reading. Together with the help of Brandtrust, Leo Burnett and Edelman PR, our kids created a persuasive PSA Literacy Campaign entitled “Reading Takes You Far.” The project began by discovering the emotional motivations for reading and resulted in a compelling campaign that included a television spot, bus side and bus shelter ads, a web site, social media and special events.

In concert with the campaign, Mayor Rahm Emanuel proclaimed June 11th to be “By The Hand Literacy Day” in the city of Chicago. Wade’s World Foundation partnered with By The Hand to promote the literacy campaign, with Dwyane Wade and his sister, Tragil Wade, serving as “reading” role models and spokespersons on the web site and Facebook page to students, teachers and parents. More information about the campaign is available on the readingtakesyoufar.com web site.

Providing access to good books
To get good books into the hands of kids from under-resourced schools, By The Hand along with Wade’s World Foundation participated in a book drive, flooding its participating Chicago Public Schools with more than 6,000 brand new books. These books were provided through a “Text To Donate” book drive that was a part of the “Reading Takes You Far” campaign.
Wednesday, April 11, 2012: By The Hand and Wade’s World Foundation launched www.reading-takesyoufar.com campaign at a press conference that generated more than 11 million media impressions. Dwyane Wade tweeted about the website, social media and “Text To Donate” campaign, reaching millions more.

April 12, 2012: The literacy campaign was unveiled at the 2012 By The Hand Club 7th Annual Spring Benefit to more than 800 influential people, including Jean-Claude Brizard, CPS CEO, who applauded the important literacy work of By The Hand. This generated more than 400,000 media impressions through press coverage.

Friday, June 1, 2012: CTA placed “Reading Takes You Far” PSA print ads on Chicago south side buses while TV stations CBS, FOX, Ion, NBC, WGN, Total Living Network and WGN began airing the children’s 30-second “Reading Takes You Far” PSA, driving viewers to the web site: reading-takesyoufar.com.

Sunday, June 10, 2012: Reaching more than 10,000 church members, the literacy campaign was unveiled on National Children’s Day in more than 40 services in 30 churches. On the same day, a Chicago Sun-Times advertorial about the campaign generated more than 400,000 impressions.

Monday, June 11, 2012: Mayor Rahm Emanuel announced the proclamation of June 11th as By The Hand Club Literacy Day and the beginning of Rahm’s Readers summer program. During the program, over 6,000 kids received a book at events that 16 of our 17 partner Chicago Public Schools hosted, including a mass distribution of DVDs of the students’ PSA along with T-shirts, books, prizes and food.

Thursday, August 23, 2012: During the 2012 Wade’s World Weekend Reading Playoffs, 85 kids from 14 Chicago Public Schools went head-to-head in a fierce competition to find out who were the best student readers in the city. The kids prepared all summer by reading 1,503 books over 12 programming days. About half reached the library’s goal of 25 picture books and 10 chapter books. Winners received special prizes and a party/photo-autograph session with Miami Heat All-Star and NBA champion Dwyane Wade. 

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Hi. My name is Savannah.

I have always liked to read, but I have struggled. I remember looking on the shelf for the perfect book. As I started to read, I kept stopping when I came across a big word. Sometimes I tried to sound it out, other times I skipped it, but mostly I would just close the book and put it back on the shelf. I wanted to scream because it looked like a good book, but I couldn’t read it!

So how did I become such a good reader? My teacher recommended me to By The Hand Club. There, Ms. Louise, the reading lady, worked with me. She knew reading was not my strength… that I got mad when I came to big words. So she taught me some good tips, like when two vowels are together, scratch the second one out and make the first one a long vowel. Or if you see a word with an “e” on the end, it’s silent so you can leave it alone!

At first, we sounded out words with hand motions, then we drew letters in sand, spelled words while marching, or rhymed words with hand clap games. I really enjoyed these games—especially when I won. If I didn’t, I would try real hard the next week to win.

Before I knew it, I was keeping up with books that she read aloud to me. Now I am reading all by myself. It’s fun and easy to read many of the books that were once too hard for me.

Now my dream is to have 110 books in my house and to read them all without putting any back on the shelf.

At the beginning of last year, Savannah, a 5th grader from Cabrini-Green—was reading at a preschool level. By the end of the school year, she had gained two and a half grade levels and was beginning to read with confidence and expression.
My name is Romel.

I have always liked football but I have to admit, I have not always liked to read. In fact, when I began working with the reading lady at By The Hand, I wasn’t into it at all. So I didn’t work at it very hard.

But Ms. Louise kept after me. We would play games to improve my vocabulary and increase how many words I could read together. We played a lot of different games and I have to admit, I found myself enjoying those games more and more. Ms. Louise made it fun, and the better I got at it, the more fun it became.

When I learned that I improved a whole grade level at the end of the year, I couldn’t believe it. I wondered what I could have done had I tried harder.

I was about to find out because Ms. Louise and I worked together again this past year. She kept telling me that I could improve as much as I wanted—that all I had to do was practice, practice and practice. She told me to focus on how much I was growing as a reader and a learner.

It made me feel good inside to think that I was getting smarter by the day. I liked being able to figure out words and read a story. So this year we got down to business. She even bought me books so I could read more at home. One was a chapter book about a boy in football, no less.

This past year I increased my reading by three grade levels. Next year, with more hard work, I will become an even better reader.

Romel, a 7th grader from Altgeld-Murray, was reading at a 2nd grade level when he began working with a reading specialist at By The Hand. Even though he was motivated, he increased only one grade level during the year. But that was all the encouragement he needed. The following year, he increased his reading by three grades.
Loving the whole child—mind, body and soul

Ever since By The Hand began in 2001, we have always emphasized a holistic approach to child development. We literally and figuratively take our kids by the hand and walk alongside them. We tutor them to academic excellence. We mentor them to make wise, life-defining decisions. And we care for them as our own, providing for basic nutritional and medical needs.

Paramount to this, we provide a safe, loving learning environment during the most dangerous time of day—the after-school hours, when more crimes are committed by and against youth than any other time. This entailed making preparations over the summer to shift our schedule an hour and add attendance days to accommodate a change in the Chicago Public Schools system’s schedule this coming year.

To keep up with their growing needs, By The Hand offers Club For Big Kids (CBK) and Club For College Kids (CCK). From the time they enroll in our program until they’re walking independently as well-adjusted, responsible adults, we walk alongside them, serving them—mind, body and soul.

Reaching where the need is greatest

By The Hand is committed to serving kids from the most under-resourced and dangerous neighborhoods in the city. We work closely with principals from Chicago Public Schools to identify children who are most likely to drop out—those who are failing and in need of critical intervention. When our kids first come to us, they are not meeting reading standards, according to their reading scores on the Illinois Standards Achievement Test (ISAT). They often have significant hardships that require special attention to overcome.

However, shortly after enrolling in By The Hand, they begin to realize that God has a unique plan for their lives. As our kids experience the power of human and Divine love, they are transformed from the inside out. They come to appreciate the value of an education as a means of experiencing the abundant life God wants to give them. And they begin to progress academically, developing their God-given talents and working towards their full potential.

This is why we are pleased that 100 percent of our seniors graduated this year, with 71 percent of them enrolling in a university. In contrast, Chicago’s high school graduation rate is approximately 50 percent—with only half of these students enrolling in college. With 22 students attending college this year, we congratulate Barbara Blount and Travis Smith for graduating from college, and Kiara Cook, who is expected to graduate after one more semester.
Serving more kids in need

As allowed by the generosity of donors, By The Hand has grown from serving 16 kids from one location to 851 kids from Cabrini-Green, Altgeld-Murray, Austin and Englewood. We are thankful for every child and family that God has brought our way, and that we will be able to serve 895 kids this fall—close to our projection of 1,000 kids by 2012.

Looking forward to the next decade, we are excited about our Strategic Growth Plan for serving 5,000 kids in critical need of intervention by the year 2020.
Achieving measurable goals

Academically, physically and spiritually, our kids have been meeting milestone after milestone, year after year. Our kids earned their highest ever GPA at 2.45, their highest ever reading and math GPA at 2.1, and 75 percent of them—more than ever—passed all of their classes with no failing grades. We also saw 144 of our kids make the honor roll and dramatically improve their Illinois Standards Achievement Test (ISAT) scores for reading and math.

Physically, 100 percent of our kids received hot nutritious meals and basic medical care, with 95 percent receiving dental care and 97 percent receiving eye care—including eyeglasses when necessary.

Spiritually, 84 percent of our kids who attended By The Hand for one year have professed faith in Jesus, the foundation for an abundant and eternal life. Watching our kids grow closer to the Lord is always a reason to celebrate.

MEASURABLE GOALS

Mind
• Meet or exceed state standards in reading and math
• Pass all classes, preferably making all A’s, B’s and C’s

Body
• Eat a healthy and nutritious dinner
• Have a regular physical and immunizations
• Receive regular dental and eye exams and, if necessary, follow-up treatment

Soul
• Profess faith in Christ
• Attend church

Building on a model of success

Since 2001, By The Hand has served over 2,500 kids from Chicago’s most under-resourced, lowest-academic-performing neighborhoods. To do so, we have several locations instead of just one. We have found that serving approximately 264 kids per location creates an ideal environment. Limiting the size to 22 kids per class from 1st to 12th grades enables us to love each child with the personal, holistic approach that distinguishes By The Hand from conventional programs.

Multiple locations allow us to reach the lowest-performing kids in the city. To reach more kids with only one location, we would have to broaden our criteria. Multiple locations also provide more opportunity for cultivating relationships with principals who help us identify and reach the kids who are in the greatest need of intervention. This approach also allows us to develop a broader community base, in terms of volunteers, supporters and grants tied to specific neighborhoods.
Celebrating student achievements 2011–2012

**MIND**
- 75% Passed all of their classes 10% increase from 68% (Q1-Q4)
- 43% Made all ABC’s 16% increase from 37% (Q1-Q4)
- 2.45 Average GPA (out of 4.0) 3% increase from 2.38 (Q1-Q4)
- 95% Received dental care (follow-up, if needed)

**BODY**
- 100% Offered a hot, nutritious meal each day
- 100% Up to date on physicals and immunizations
- 97% Received eye exams (follow-up, if needed)

**SOUL**
- 84% Have professed faith 15% increase from 73% (Q4-Q4)
- 23% Attended church 4% decrease from 24% (Q4-Q4)

**IMPROVEMENT IN ISAT READING AND MATH**
Scores for students who were testing below the 50th percentile

- Reading: 30% improvement from last year
- Math: 44% improvement from last year

- Reading scores improved 5% and math scores improved 14% for students overall (CPS 1% in reading and math)

**CLUB ATTENDANCE AND RETENTION FROM Q1 TO Q4**

- Attendance: 80% 80% 77%
- Retention: 80% 80% 77%

Reasons for disenrollment: 50% poor attendance, 33% family moved, 9% behavior, 8% other

**READING QUARTILES**
- 10% 76–100%
- 21% 51–75%
- 38% 26–50%
- 31% 0–25%

**MATH QUARTILES**
- 10% 76–100%
- 23% 51–75%
- 35% 26–50%
- 35% 0–25%
Operating from a solid foundation

Praise God! We finished the 2011-2012 year with a strong financial outlook in spite of the weak economy. Our revenue increased as planned even though charitable giving continues to remain at historical lows, while our expenses were under budget.

By limiting our fund development and administrative costs to 16 percent, we have been able to allocate 84 percent directly to programming for our children. This has allowed us to maintain a low cost of $5,700 per child for the seventh straight year even though food, fuel and other costs increased.

As we look ahead, we are grateful for God’s blessings and the faithfulness of people like you. It’s important to remember that we are not endowed. It is through the generosity of many that we were able to fund existing programs to serve 851 last year—close to our goal of serving 1,000 children by 2012. With God’s blessings and your continued support, we will be able to reach 5,000 by the year 2020.

REVENUE BY SOURCE

<table>
<thead>
<tr>
<th>Source</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Special Events</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Temporarily Restricted Contributions</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Corporations &amp; Foundations</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Government Grants</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Churches</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Donated Goods &amp; Services</td>
<td>2%</td>
<td></td>
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</tbody>
</table>

ALLOCATION OF ANNUAL SCHOLARSHIP PER CHILD

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td>Fundraising</td>
</tr>
<tr>
<td>Contributions</td>
</tr>
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</table>

Changes in unrestricted activities:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 1,984,631</td>
<td>$ 1,902,488</td>
</tr>
<tr>
<td>Donated goods and services</td>
<td>88,200</td>
<td>85,600</td>
</tr>
<tr>
<td>Special events, net of direct costs</td>
<td>1,428,150</td>
<td>1,055,899</td>
</tr>
<tr>
<td>Government grants</td>
<td>193,239</td>
<td>98,257</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>91</td>
<td>136</td>
</tr>
<tr>
<td>Other</td>
<td>4,992</td>
<td>6,700</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>729,337</td>
<td>1,107,335</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>4,428,640</td>
<td>4,256,435</td>
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</tbody>
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Expenses:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>3,693,046</td>
<td>3,395,144</td>
</tr>
<tr>
<td>General and administrative</td>
<td>216,894</td>
<td>212,096</td>
</tr>
<tr>
<td>Fundraising</td>
<td>494,951</td>
<td>479,124</td>
</tr>
<tr>
<td>Total expenses</td>
<td>4,404,891</td>
<td>4,086,364</td>
</tr>
<tr>
<td>Change in unrestricted net assets</td>
<td>23,749</td>
<td>170,071</td>
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Changes in temporarily restricted activities:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>1,783,172</td>
<td>2,054,253</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(729,337)</td>
<td>(1,107,335)</td>
</tr>
<tr>
<td>Change in temporarily restricted net assets</td>
<td>1,053,835</td>
<td>946,918</td>
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<tr>
<td>Change in net assets</td>
<td>1,077,584</td>
<td>1,116,989</td>
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</tbody>
</table>

Net assets at beginning of year 2,967,980 1,850,991
Net assets at end of year 4,045,564 2,967,980

See accompanying notes to financial statements.
Statement of Functional Expenses
Year ended August 31, 2012 (with comparative amounts for 2011)

<table>
<thead>
<tr>
<th>SUPPORTING SERVICES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation, benefits and taxes</td>
<td>$2,115,059</td>
<td>$1,926,496</td>
</tr>
<tr>
<td>Benefits</td>
<td>592,678</td>
<td>536,820</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>134,132</td>
<td>137,879</td>
</tr>
</tbody>
</table>

Total salaries, wages, benefits and payroll taxes | 2,861,869 | 2,601,195 |

See accompanying notes to financial statements.

Statements of Financial Position
August 31, 2012 and 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,352,231</td>
<td>$1,206,518</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>211,256</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>45,778</td>
<td>37,324</td>
</tr>
<tr>
<td>Refundable property taxes (note 3)</td>
<td>77,325</td>
<td>22,580</td>
</tr>
<tr>
<td>Construction permit deposits (note 4)</td>
<td>87,225</td>
<td>87,225</td>
</tr>
<tr>
<td>Employee advances</td>
<td>3,148</td>
<td>7,437</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,776,963</td>
<td>1,361,084</td>
</tr>
<tr>
<td>Property and equipment, net (note 5)</td>
<td>2,331,475</td>
<td>1,842,511</td>
</tr>
<tr>
<td>Security deposit</td>
<td>6,300</td>
<td>9,750</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,114,738</td>
<td>3,213,345</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

Statements of Cash Flows
Years ended August 31, 2012 and 2011

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$1,077,584</td>
<td>$1,116,989</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>35,321</td>
<td>35,321</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(211,256)</td>
<td>(54,745)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(8,454)</td>
<td>(6,981)</td>
</tr>
<tr>
<td>Refundable property taxes</td>
<td>(54,745)</td>
<td>(13,309)</td>
</tr>
<tr>
<td>Security deposit</td>
<td>3,450</td>
<td></td>
</tr>
<tr>
<td>Construction permit deposits</td>
<td></td>
<td>(87,225)</td>
</tr>
<tr>
<td>Employee advances</td>
<td>4,289</td>
<td>5,161</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(119,290)</td>
<td>68,610</td>
</tr>
<tr>
<td>Accrued payroll expenses</td>
<td>(56,901)</td>
<td>39,948</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>689,998</td>
<td>1,178,375</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

Statements of Financial Position
August 31, 2012 and 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
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<td>4,114,738</td>
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</tr>
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</table>

See accompanying notes to financial statements.
INDEPENDENT AUDITORS’ REPORT
Board of Directors
By The Hand Club For Kids
We have audited the accompanying statements of financial position of By The Hand, Inc. (the “Company”) as of August 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended August 31, 2012. These financial statements are the responsibility of the manage-
ment of By The Hand Club For Kids. (By The Hand). Our responsibility is to express an opinion on these financial statements based on our auditing
conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of By The Hand’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes
on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and applying the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of By The Hand as of August 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Paul J. Smith & Associates
October 12, 2012

Notes to Financial Statements:
August 31, 2012 and 2011

(1) Description of Organization
By The Hand Club For Kids (By The Hand) is a faith-based, after-school program that helps children have a new and abundant life by nurturing the whole child – mind, body and soul. For the mind, By The Hand has homework help, tutoring, language and reading literacy programs. For the body, By The Hand provides health education and access to health care through our Family Health Program. For the soul, By The Hand teaches and models biblical truths.

(2) Summary of Significant Accounting Policies
The financial statements of By The Hand have been prepared on the accrual basis of accounting; consequently, revenues are recognized when earned and expenses when the obligation is incurred. The signifi-
cant accounting policies followed are described in the paragraphs that follow to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION
By The Hand maintains its accounts in accordance with the requirements of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), Auditing and Accounting Guide for Not-for-Profit Organizations, and the criteria for recognition of contributed services defined by professional accounting literature. The Board of Directors and The Moody Church, have made significant contributions of their time to the By The Hand policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services defined by professional accounting standards, and, accordingly, is not reflected in these financial statements.

PROPERTY AND EQUIPMENT
Property and equipment are carried at cost or, if donated, at the approx-
imate fair value of the date of donation. In the absence of donor stipulations regarding how long the assets will be used for these property purchases, was $180,446 and $148,045

CONTRIBUTIONS
Contributions are recognized in the appropriate category of net assets in the period received. Contributions received without donor stipulations are reported as unrestricted revenue and net assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue. The Board authorized the use of $79,100 of temporarily restricted funds for the purchase of property in preparation for building a new facility in the Austin neighborhood of Chicago. During the year ended August 31, 2011, the Board released $77,400 of the reserve fund for the purchase of additional property related to the Austin project. As capital funds are received, the balance of the reserve fund will be replenished. The reserve balance, net of all funds used for these property purchases, was $180,446 and $148,045 as of August 31, 2012 and 2011, respectively, and consisted of unrestricted cash.

Temporary restricted – net assets subject to donor-imposed restrictions that will be met either by actions of By The Hand or the passage of time. Items that affect this category are contributions, including those

Notes to Financial Statements:
August 31, 2012 and 2011

for buildings and equipment, for which donor-imposed restrictions have not been met. Expirations of restrictions on temporarily restricted net assets, including amortization of restricted contributions for buildings and equipment, are reported as decreases from temporarily restricted net assets. Permanent restricted – net assets subject to donor-imposed restrictions to be held in perpetuity by By The Hand. Items that affect this category include contributions wherein donors stipulate that the corpus be held in perpetuity and only income may be made available for specific program operations. By The Hand currently does not have any permanently restricted net assets.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include all moneys in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments.

USE OF ESTIMATES
In the preparation of these financial statements, as By The Hand has had no business income. No provision has been made for income taxes in the accompanying financial statements, as By The Hand has had no significant unrelated business net income.

CONTINUED SERVICES
A substantial number of unpaid volunteers, including members of the Board of Directors and The Moody Church, have made significant contributions of their time to the By The Hand policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services defined by professional accounting standards, and, accordingly, is not reflected in these financial statements.

RECLASSIFICATIONS
Certain amounts presented in the accompanying 2011 financial statements have been reclassified to conform to the 2012 presentation. These reclas-
sifications had no effect on the change in net assets.

(3) REFUNDABLE PROPERTY TAXES
By The Hand has purchased several parcels of land in the Austin neigh-
borhood of Chicago with the intent of constructing a new facility there. Since purchasing these parcels, By The Hand has incurred and paid property taxes to Cook County, Illinois due to the fact that the property cannot be declared tax exempt from property taxes by the County until the facility opens and, therefore, is being used for its tax exempt purpose. Payments for these property taxes of $77,325 ($54,745 during the year ended August 31, 2012, $13,309 during the year ended August 31, 2011 and $9,271 during the year ended August 31, 2010) have been recorded in the accompanying financial statements as refundable property taxes because By The Hand expects such payments to be refunded upon the opening of the new Austin facility.
Notes to Financial Statements:
August 31, 2012 and 2011

(4) CONSTRUCTION F E MIT DEPOSITS
By The Hand has submitted building permits to the City of Chicago for a proposed facility in the Austin neighborhood and has received approval of the proposed building project. As part of the permit process, the City of Chicago required payment of “performance deposits” in the amount of $87,255 related to landscaping and fencing requirements at the new facility. These payments have been recorded as deposits in the accompanying financial statements as they will be refunded once the landscaping and fencing has been installed and passed the inspection of the City of Chicago Department of Zoning.

(5) PROPERTY AND EQUIPMENT
Property and equipment at August 31, 2012 and 2011 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and building improvements</td>
<td>$1,363,934</td>
<td>$1,240,151</td>
</tr>
<tr>
<td>Land</td>
<td>1,028,788</td>
<td>626,806</td>
</tr>
<tr>
<td>Vehicles</td>
<td>77,201</td>
<td>77,201</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>20,907</td>
<td>20,907</td>
</tr>
<tr>
<td>Total</td>
<td>$2,331,475</td>
<td>$1,842,511</td>
</tr>
</tbody>
</table>

(6) TEMPORARILY RESTRICTED NET ASSETS
Temporarily restricted net assets are available for the following purposes or periods at August 31, 2012:

<table>
<thead>
<tr>
<th></th>
<th>August 31, 2012</th>
<th>August 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>College scholarships</td>
<td>16,929</td>
<td>16,310</td>
</tr>
<tr>
<td>Special projects</td>
<td>8,835</td>
<td>6,335</td>
</tr>
<tr>
<td>Capital campaign</td>
<td>852,000</td>
<td>852,000</td>
</tr>
<tr>
<td>Land to the Lord Fund</td>
<td>13,542</td>
<td>13,542</td>
</tr>
<tr>
<td>Reading Takes You Far</td>
<td>255</td>
<td>255</td>
</tr>
<tr>
<td>Total</td>
<td>$877,424</td>
<td>$729,337</td>
</tr>
</tbody>
</table>

Future minimum lease rental payments of $120,600 are required under By The Hand’s operating leases for the fiscal year ending August 31, 2013. Future minimum rental payments of $1,200 are required under the above operating leases for each of the fiscal years ending August 31, 2013 through August 31, 2033.

(7) CONCENTRATIONS
During the years ended August 31, 2012 and 2011, net assets were released from donor-imposed restrictions for future development (seed money for program expansion at new locations) by incurring expenses which satisfied the time restrictions of donors.

(8) RELATED PARTY ACTIVITY
By The Hand conducts its operations such that required recognition of or disclosure in the financial statements.

During fiscal year 2012, By The Hand received 49% of total contributions from 15 donors. During fiscal year 2011, By The Hand received 65% of total contributions from 14 donors.

(9) COMMITMENTS
By The Hand has submitted building permits to the City of Chicago for a proposed facility in the Austin neighborhood and has received approval of the proposed building project. As part of the permit process, the City of Chicago required payment of “performance deposits” in the amount of $87,255 related to landscaping and fencing requirements at the new facility. These payments have been recorded as deposits in the accompanying financial statements as they will be refunded once the landscaping and fencing has been installed and passed the inspection of the City of Chicago Department of Zoning.

(10) Subsequent Events
Management has performed an analysis of the activities and transactions subsequent to August 31, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended August 31, 2012. Management has performed their analysis through October 12, 2012. For the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management. The following subsequent event was noted as part of management’s review: Construction of a new By The Hand facility in the Austin neighborhood is expected to begin in November or December 2012. Other than this event, no other subsequent events were identified that required recognition or disclosure in the financial statements.

Leading by serving
By The Hand Board of Directors
Tom Meyers, Chairman
Attorney (Retired)
Coral Sampson, Vice Chairman
Attorney, Carroll Sampson Law Offices
Christine Parker, Secretary
Chicago Title Corporation
Julia Wiklow, Assistant Secretary
Manager, Arroyo (Retired)
Neil Goodenough, Treasurer
Vice President, Cityly Corp.
Dwight Eley
President
WBBM Radio
Viviane Payne
President, Anny Payne Group

By The Hand Staff
Donnita Travis
Founder & Executive Director
Director of By The Hand – Altgeld-Murray
Jennifer Richardson
Director of By The Hand – Englewood
Sarah James
Director of By The Hand – Austin
Cara Murray
Interim Director of Club For Big Kids (CBK)
Corey Hunter
Director of The Hand – Austin
Al Green
Director of The Hand – Englewood
Timothy Kline
Director of The Hand – Cabrini-Green
Jennifer Richardson
Director of The Hand – Altgeld-Murray

For more information or to schedule a visit:
Contact Donnita Travis at 312-305-2622
donnita.travis@bythehand.org
Visit www.bythehand.org

Contributors
Design: Design360° Incorporated, Chicago
Photography: Ingram Photography, Chicago
Copywriting: WordSlingers for Hire, Chicago
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Copywriting: WordSlingers for Hire, Chicago
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1000 N. Sedgwick Street  
Chicago, IL 60610

By The Hand—Altgeld-Murray  
13015 S. Ellis Avenue  
Chicago, IL 60627

By The Hand—Austin  
500 N. Laramie Avenue  
Chicago, IL 60644

By The Hand—Englewood  
6950 S. Sangamon Street  
Chicago, IL 60621

www.bythehand.org

Helping children who live in high-risk, inner-city neighborhoods have abundant life