

**College
Bound.**

**Life
Abundant.**



**BY
THE
HAND
CLUB
FOR
KIDS**

By The Hand Club For Kids
2013 Annual Report



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.



Praise God! Last year we had the blessed opportunity to love 895 children—mind, body and soul. We provided them with a safe place to learn during the after-school hours—the most dangerous time of day in one of America's most dangerous cities. And we figuratively and physically walked alongside them, as we do from 1st grade, when a child enrolls, to college, when he or she is walking independently as an adult.

Looking back, we are overjoyed with the progress our students made during 2012-2013. It is truly a testimony to the transforming power of divine and human love.

To begin with, 187 of them made the honor roll, and 73% passed all of their classes—with more earning all A's, B's and C's than ever. They also had their highest overall GPA as well as their highest reading and math GPA's.

Through our Reading Specialist Program, 38 children advanced three reading levels or more in at least one literacy area—word knowledge, fluency or comprehension—with an average increase of 1.6 reading levels for 118 students.

Recognizing that those who achieve a college bachelor's degree can expect to earn 83% more income than those who just have a high school diploma, our goal is for 100% of our children to have the opportunity to gain a college degree. To encourage and equip them, this year's By The Hand learning project featured College Readiness. Our youth not only learned about college, they were immersed in the college experience—honing their communication skills by participating in a mock college fair at the club.

To fulfill our mission of serving children in critical need—from 1st grade all the way through college—it became necessary to expand our overcrowded facilities in Austin. This year we celebrated the grand opening of the new \$6 million, 26,000-square-foot center in Austin—called the "Gem of Austin." Everyone driving or walking by the facility can see the hope in our kids' faces in the giant photos on the side of the building. More importantly, we can see what God is doing inside this "mission-critical" center.

In a cooperative effort with Trinity Christian College and the Charlevoix Foundation, our young people can now take their first two years of accredited college classes at the Austin club and we can continue walking alongside them during their college years. This enables them to affordably complete two years of general studies before transferring to a more expensive four-year college or university to complete their degree.

Last year, every one of our high school seniors graduated, with 88% of them enrolling in college in the fall. Among them were several scholarship recipients. Notably, Malik Savage received the Gates Millennium Scholarship, which will pay his entire tuition for both undergraduate and graduate degrees. Currently, he is a freshman at Howard University in Washington, DC. Janae Durr received the Fellowes and Taylor Scholarship for a full scholarship to Taylor University and Porscha Williams received the Mama Lou Scholarship, a fund established in honor of my mother, Mary Lou Meredith.



Caption here

With a total of 28 kids in college, we have two college graduates—Travis Smith and Barbara Blount. Five more are scheduled to graduate this year—Angelene Hemphill, Vontesha Stanfield, Natasha Childress, Shiquita Willingham and Kiara Cook.

Recognizing that faith in Jesus is the foundation for abundant life, we take special delight in encouraging our kids to mature in their walk with God. Since By The Hand began in 2001 with 16 children from Cabrini-Green, 1,344 of our kids have made a profession of faith in Jesus. Last year alone, 70% of our students who've been enrolled in By The Hand for at least one year did so. This represents a 36% increase from the previous year.

These are only some of the highlights of the past year. None of this would be possible without God's blessing and your faithful prayers and generous support. We are not endowed. And yet we were able to finish another year in the positive and keep administrative and fundraising expenses low relative to programming.

As we steadily move towards the goal of reaching 5,000 kids from Chicago's most under-resourced neighborhoods by the year 2020, we thank you on behalf of our kids. Thank you for giving them the opportunity to experience abundant life—and to be college bound! Thank you for your legacy through By The Hand.

Sincerely,

Donnita Travis
Founder and Executive Director

Graduating a generation of hope.

Even though By The Hand kids are from the most under-resourced neighborhoods, they are defying the odds and going to college. Of our seniors, 100% graduated from high school last year—and 88% of them enrolled in college. In contrast, nearly half of Chicago Public Schools (CPS) students do not graduate, and of those that do, only 56% attend college, according to National Clearinghouse Data, which tracks enrollment of high school graduates. By working closely with CPS, By The Hand is helping the most unlikely children make extraordinary strides.

Equipping for success

Americans with a college bachelor's degree can expect to earn 83% more income than those with only a high school diploma. Unfortunately, only 8% of boys and girls who start high school in the Chicago Public Schools go on to earn four-year degrees—even less for low-income students. Recognizing the importance of equipping them for life, By The Hand emphasizes academic achievement and fosters a college-going culture.

Fostering a college-going culture

Beginning this year, we are offering Club For Big Kids (CBK) at all four locations. By The Hand helps prepare high school students for college. We also have college specialists who help them apply, enroll, and secure scholarships and grants. They prepare them for every question and subject

covered on college entrance exams through an extensive ACT ePrep course and full-length practice tests. Our program also features college days and fairs, campus tours and one-on-one meetings with admissions officers—complete with campus meals and overnight stays in college residence halls or hotels. Throughout it all, By The Hand helps our young people navigate through a maze of decisions.

Giving kids a taste of college

This year's learning project was designed to grow our students' interest in and knowledge about college while providing an opportunity for them to improve their oral and written communication skills. During a four-week-long College Learning Project, our children learned about a college or university of their choice, focusing on the college's history, majors, student life or athletic program.

Working with their team leader, they made sure they covered the right information by referring to the Sallie Mae® College Fair Checklist. We also had guest speakers share the value of their own college experiences. During the final week, the kids prepared and gave a presentation that answered predetermined questions during a mock college fair—as if they were a college admissions counselor addressing the other students.

Giving kids a chance to shine

Students' projects were evaluated based on knowledge, excellence, creativity and meeting project requirements. Winners of preliminary judging at each site advanced until the final judging, where 12 teams gave an oral presentation at the mini-college fair. To reinforce the value of higher education, winning teams for each age category were awarded a visit to a college campus, providing them with a unique and encouraging college experience.

Walking alongside our college students

Walking alongside our young adults throughout their college years is mission critical to helping them realize their full potential as adults walking closely with the Lord. For this reason, our Club For College Kids (CCK) provides ongoing help with the administrative and logistical aspects of college along with the emotional and spiritual support that they need, such as securing financial aid and transportation, or receiving care packages and spiritual discipleship.

Completing a mission-critical facility

To fulfill our mission of serving children who are in critical need of intervention—from 1st grade all the way through college—we needed to expand our overcrowded facilities in Austin. This year we celebrated the grand opening of the new \$6 million, 26,000-square-foot center in Austin—called the "Gem of Austin." Everyone driving or walking by the facility can see the hope in our kids' faces in the giant photos on the side of the building

Offering college classes in Austin

With the completion of the new By The Hand Center at 415 N. Laramie Avenue, Chicago, we are offering accredited college courses at the center. This is being accomplished as part of a collaborative partnership with Trinity Christian College and the Charlevoix Foundation. Trinity faculty members are teaching classes, which are open to students from By The Hand and other approved organizations. Trinity is also providing learning resources and academic advising. By The Hand assisted with the hiring of a director for the program and is providing tutoring and helping secure state and federal financial aid for tuition, a U-Pass and books.

Enabling students to afford college

Taking college classes at our Austin center is an ideal opportunity for high school graduates who want to stay near home, who would be considering a community college, or who cannot afford or are not ready to attend a four-year institution. They will be able to complete their first two years of general studies at our Austin location. This will not only save them from more costly tuition, but will better prepare them to succeed at a four-year college when they transfer.

Securing college scholarships

Additionally, By The Hand has been successful in helping our kids secure financial assistance for tuition. This year, James and Deborah Fellowes provided two 50% scholarships, which were matched by Taylor University. As a result, Janae Durr is attending Taylor this fall as a freshman. Another recipient will be announced later this year, with each scholarship valued at \$28,000 per year. The Mama Lou Scholarship fund—created in honor of Mary Lou Meredith, Donnita Travis' mother—awarded a \$5,000 scholarship to Porsha Williams, who is attending Trinity.

This year, five received the Charlevoix Foundation scholarship, which provides \$1,500 a semester as long as the student maintains a GPA of 2.5 or better. Since the Charlevoix College Fund was established on September 18, 2008, it has awarded \$65,043.73 in college scholarships to 20 By The Hand Club students.

Lastly, Malik Savage graduated last June and was accepted into 20 colleges. He is now attending Howard University, a historical black college in Washington, DC. In recognition of scholastic excellence, Malik is the recipient of the Gates Millennium Scholarship, which will pay for his higher education—from undergraduate through graduate studies.

Fulfilling our mission.

Serving kids from 1st grade all the way through college.

Last year, 88% of our high school graduates enrolled in college in the fall. Every student who defies the odds and goes to college is reason to celebrate. But we want to highlight a few students with notable accomplishments on the next few pages. We begin with five students who are scheduled to graduate this year. While many of our students have been blessed with scholarships, we also highlight three who have received special recognition through scholarship awards. Finally, included are two students who are examples of our mission fulfilled, students who started with us at a very young age and who have now graduated from college.

Caption here



Natasha

Indiana State University
Criminal Justice/Criminology
May 2014

It feels great to be my family's first college graduate and to be living my dream about being in law enforcement. I'm a Criminology/Criminal Justice major at Indiana State University and want to be a probation officer, working with either adult or juvenile offenders. I want to make a difference, like By The Hand did for me. I'm grateful for all the love and moral support they've given me, and helping me through college financially.



Vontesha

Indiana State University
Criminal Justice/Criminology
May 2014

Graduating with a degree in Criminal Justice/Criminology and a minor in Legal Studies and Social Welfare is such a big accomplishment for me and I am so grateful. I can't wait to start my career and begin giving back to my community. I want to help others just as others helped me succeed in life. After Indiana State University, I plan on attending law school while working as a probation officer. By The Hand has walked alongside me and loved me. They prepared me to perform my best—and not to be afraid because God is always with me.



Kiara

Robert Morris University
BBA Management
November 2013

Graduating with a BA in Management from Robert Morris makes me realize I can do anything through Christ, who gives me strength! By The Hand taught me not to be afraid of making new friends. My life changed when I accepted Jesus as my Lord and Savior at By The Hand Club teen church.



Angelene

Benedictine University
Social Science/Criminal Justice
December 2014

I'm very excited and proud to be a college student... to be studying Social Science/Criminal Justice at Benedictine University. I have a 3.00 GPA and will continue to work hard and finish strong for the decisions I make today can affect my future.

I've come a long way since 2003, when I enrolled in By The Hand. They helped me with my spiritual and educational goals. They showed me that a leader is always willing to give a helping hand even if you don't ask. They helped me every step of the way to pursuing my dreams. I'm glad I had the chance to be a part of such a wonderful organization.



Shiquita

Chicago State University
Business Management
December 2014

The thought of graduating from Chicago State University is stressful and a relief all at the same time. I will be completing another level in my life and moving onto the next step. By The Hand showed me that someone is there to help me and that I am not alone—and that I can depend on someone outside my family. And they pushed me to do my best academically.



Malik

Howard University
Gates Millennium Full Scholarship

I remember joining By The Hand in 3rd grade and them taking us on weekend trips out of the neighborhood to keep us out of trouble. By The Hand is always supporting me in life—and I know I can call them whenever I need help. They fly me to and from school and helped me get a full scholarship to Howard University, where I am studying sports medicine. It feels good to be on my own and independent, but it's also a challenge knowing I'm responsible for everything on my own. My mom's not here to wash my clothes or buy things for me. It's been a big wake-up call. I need to handle my responsibilities because college is another step in achieving my goals—to be able to provide for my family.



Porscha

Trinity Christian College
Momma Lou Scholarship

I began going to By The Hand Club in 3rd grade. Now I am in college studying to be a pediatric nurse. College has its challenges but I wouldn't change it for anything. I know I'm a step closer to a career and achieving my goals. I am grateful that Ms. Lisa, my team leader at By The Hand, stayed on me about doing my homework. She wanted to see me succeed. She was like a parent figure to me.



Janae

Taylor University
Fellowes & Taylor Full Scholarship

Being in college is definitely a challenge. It's teaching me to be independent, like an adult. However, something in me is telling me that studying Social Work, especially at Taylor, will all be worth it once I graduate. I just keep envisioning the day that I walk across the stage and receive my diploma—hopefully in 2016. I would like to help women and children who have been involved in domestic violence situations or drug abuse.

By The Hand has been an amazing support system for me since I became a member in 2005. Without By The Hand I would not have been awarded this amazing scholarship. By The Hand has helped me see how important it is to remain faithful to God throughout hardships.



Travis and Barbara

With a total of 28 kids in college, we have two college graduates—Travis Smith, who graduated from Olivet Nazarene University, class of 2012, and is in management at a well-known rental car company and Barbara Blount, a 2011 graduate from Robert Morris University and is an administrative assistant at a national trade association while considering graduate school.



Taking kids by the hand.

Loving the whole child—mind, body and soul

By The Hand is an after-school program that emphasizes academics and is committed to loving the whole child—mind, body and soul. We literally and figuratively take our kids by the hand and walk alongside them—from the time they enroll in our program until they're walking independently as well-adjusted, responsible adults. We tutor them to academic excellence. We help them explore and develop their God-given talents through a variety of activities, and we mentor them to make wise, life-defining decisions. We even meet their basic nutritional and medical needs. Ultimately, we love them as our own.

Offering abundant life

When children are referred to By The Hand by their principals, they are typically scoring below reading standards—a known risk factor for dropping out of school. However, shortly after enrolling in By The Hand, our kids begin to realize that God has a unique plan for their lives. Over the years, a total of 1,344 children have made professions of faith in Christ. We are especially pleased that many of them have developed a closer walk with God—the foundation of abundant and eternal life.

Emphasizing academic excellence

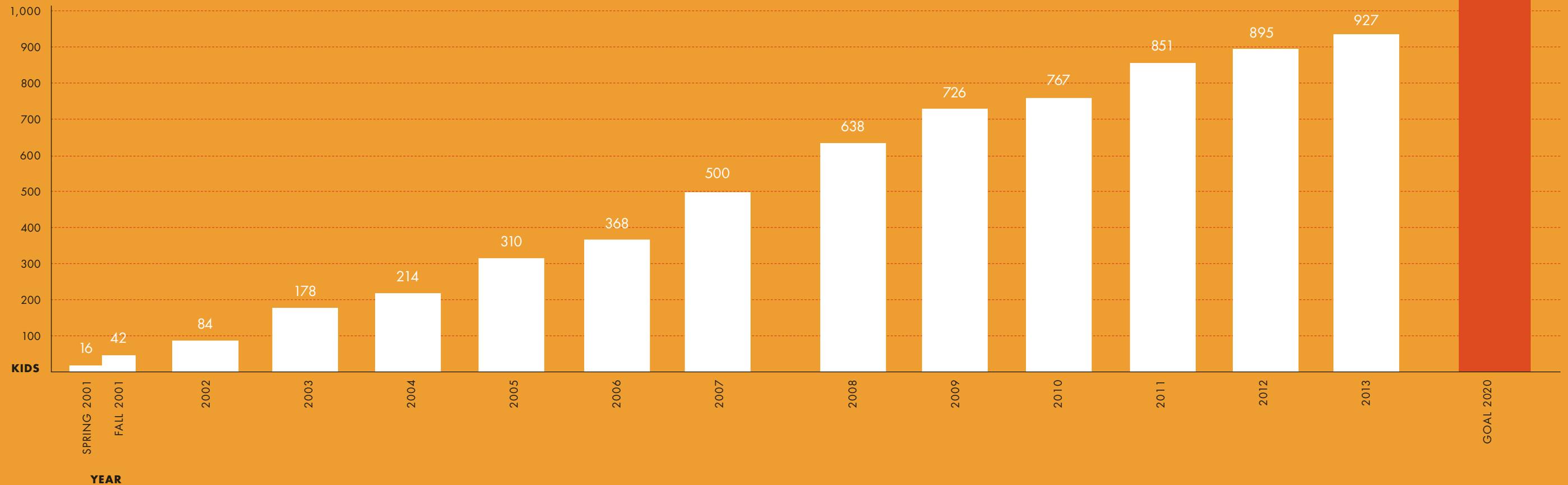
As our kids begin to understand how precious they are to God, they begin to embrace academic excellence and education as a means to experiencing God's plan for their lives. Mirroring an internal transformation, their reading proficiency and grades begin to improve dramatically. In fact, since 2001, their standardized reading and math scores have improved an average of 115% and 159%, respectively.

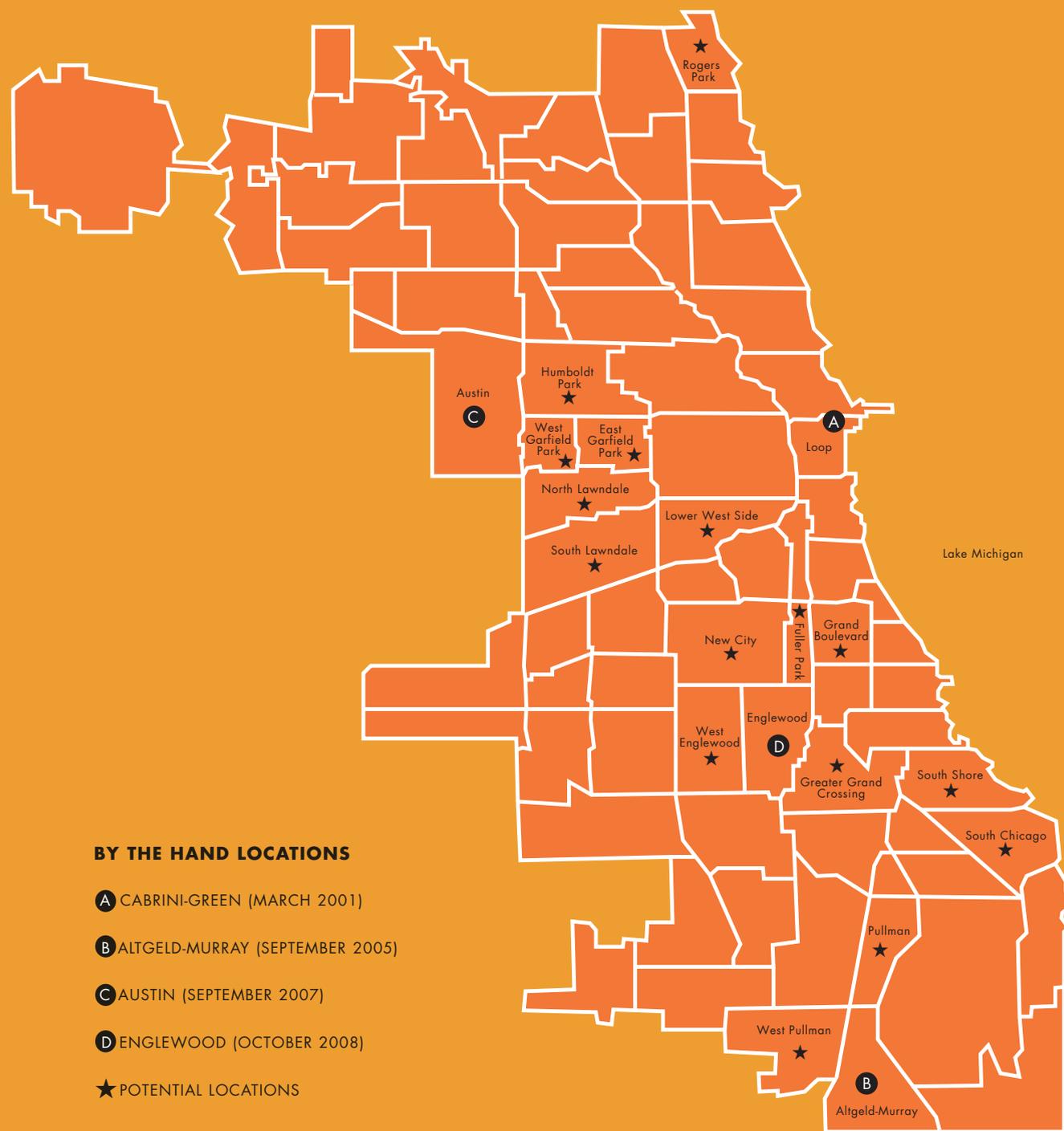
Loving more kids—mind body and soul

With God’s blessing and the generosity of donors, By The Hand is currently serving 927 children, including 28 who are in college. Beginning with 16 children in 2001, we’ve been able to reach youth who are in critical need of intervention by expanding from one to four of Chicago’s most under-resourced neighborhoods—Cabrini-Green, Altgeld-Murray, Austin and Englewood.

We are grateful for every child and family that God has brought our way, and hope to be able to serve 5,000 children in critical need of intervention by the year 2020.

NUMBER OF KIDS SERVED THROUGH BY THE HAND SINCE 2001





Serving more kids in need

Building on a model of success

Since 2001, By The Hand has served more than 2,500 children from Chicago’s most under-resourced, lowest-academic-performing neighborhoods. To do so, we have extended our reach to several locations instead of just growing at one site. This allows us to create an ideal environment where we serve approximately 264 students at each site. By limiting the size to 22 per class from 1st to 12th grade, we are able to love each child with the personal, holistic approach that distinguishes By The Hand from conventional programs.

Multiple locations also allow us to reach the lowest-performing children in the city. If we were to limit our growth to one location, we would have to broaden our criteria for those we serve. Multiple locations also open doors for cultivating relationships with more principals who can help us identify and reach the kids who are in the greatest need of intervention. This approach is also helpful for developing a broader community base of volunteers, supporters and grants that are specific to neighborhoods.

Achieving milestones

Academically, physically and spiritually, our students have had another “best ever” year. They earned their highest average GPA at 2.52, while also earning their highest reading and math GPA’s. With 88% of our students passing their reading and math classes and 73% passing all of their classes, including 48% earning all A’s, B’s and C’s, our kids keep improving. We also saw 187 of them make the honor roll—yet another “best ever.”

Physically, 100% of our children received hot nutritious meals and basic medical care, with 100% receiving dental care and 100% receiving eye care—including eyeglasses when necessary. Spiritually, 70% of our kids who have attended By The Hand for one year have professed faith in Jesus, the foundation for an abundant life—an increase from 36% last year and a constant reminder of God’s faithfulness and abounding love.

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

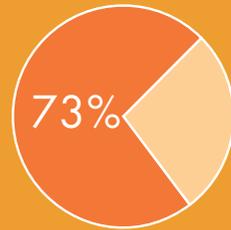
- Eat a nutritious dinner
- Have a regular physical and immunizations
- Receive regular dental and eye exams and, if necessary, follow-up treatment

Soul

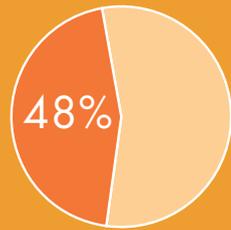
- Profess faith in Christ
- Attend church

2012-2013 accomplishments

MIND



Passed all of their classes
5% increase from 69%
(Q1-Q4)



Made all ABC's
36% increase from 35%
(Q1-Q4)



Average GPA
(out of 4.0)
4% increase from 2.43
(Q1-Q4)

BODY



Offered a hot,
nutritious meal
each day



Up to date on
physicals and
immunizations

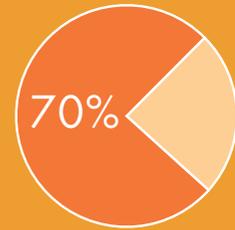


Received eye exams
(follow-up, if needed)

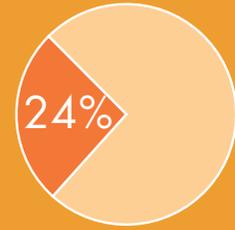


Received dental care
(follow-up, if needed)

SOUL



Have professed faith
36% increase
from 52% (Q4-Q4)



Attended church
12% increase from 21%
(Q4-Q4)

IMPROVEMENT IN ISAT READING AND MATH

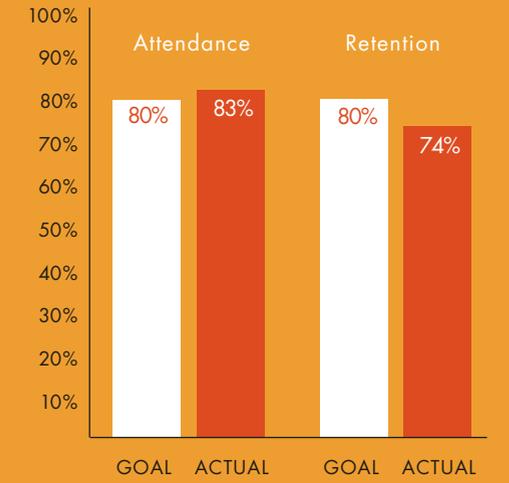
Scores for students who were tested below the 50th percentile



READING 15% improvement from last year
MATH 50% improvement from last year

The ISAT test was changed between 2012 and 2013 to include 20% of its questions from the Common Core Standards, and the standards for Academic Warning, Below Standards, Meeting Standards and Exceeding Standards were all significantly changed.

CLUB ATTENDANCE AND RETENTION FROM Q1 TO Q4

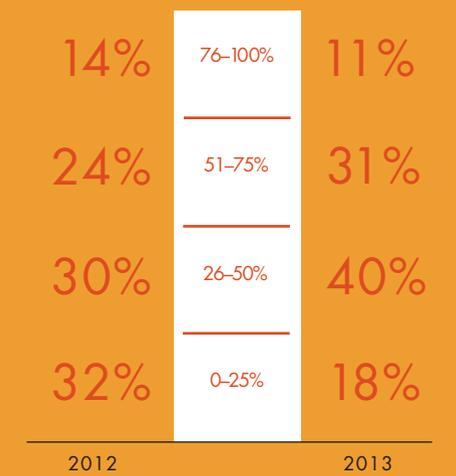


Reasons for disenrollment: 50% poor attendance, 33% family moved, 9% behavior, 8% other

READING QUARTILES



MATH QUARTILES

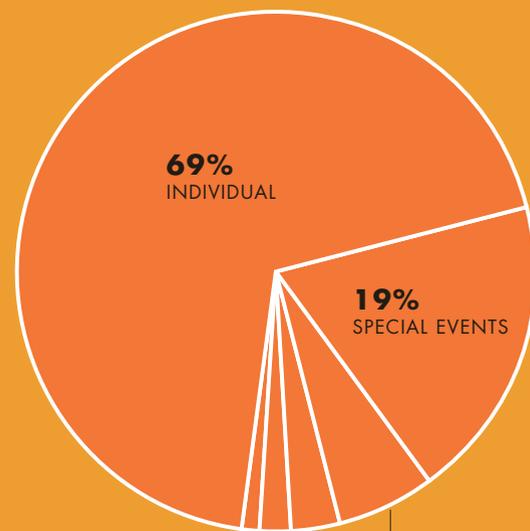


Operating from a solid foundation

Praise God for yet another year in the positive! Moreover, we finished the 2012-2013 year with a 20% gain in revenue. This is significant, considering that charitable giving continues to be sluggish.

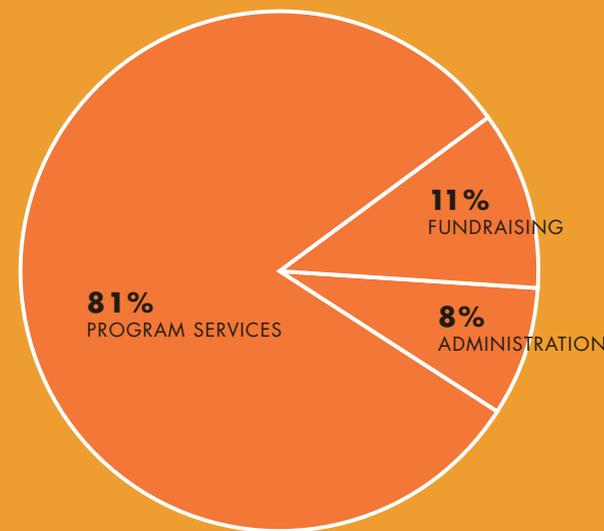
We've continued to invest more than 80% of our funding in direct programming for our children, limiting fund development and administrative costs. We are mindful that we are not endowed. But with God's blessings and your continued support, we have served 895 kids this year, and we trust that we will one day reach the goal of serving 5,000 by 2020.

REVENUE BY SOURCE



6% CORPORATIONS & FOUNDATIONS
 3% GOVERNMENT GRANTS
 2% CHURCHES
 1% DONATED GOODS & SERVICES

ALLOCATION OF ANNUAL SCHOLARSHIP PER CHILD



Statements of Activities Years ended August 31, 2013 and 2012

Changes in unrestricted activities:

| | 2013 | 2012 |
|---|------------------|------------------|
| Revenue and support: | | |
| Contributions | \$ 2,907,033 | \$ 1,984,631 |
| Donated goods and services | 90,804 | 88,200 |
| Special events, net of direct costs of \$148,727 in 2013 and \$147,625 in 2012 | 1,571,011 | 1,428,150 |
| Government grants | 222,249 | 193,239 |
| Interest and dividends | 185 | 91 |
| Other | 4,353 | 4,992 |
| Net assets released from restrictions: | | |
| Satisfaction of time and purpose restrictions (note 7) | 549,599 | 729,337 |
| Total revenue and support | 5,345,234 | 4,428,640 |
| Expenses: | | |
| Program services | 4,258,750 | 3,693,046 |
| General and administrative | 415,695 | 216,894 |
| Fundraising | 553,860 | 494,951 |
| Total expenses | 5,228,305 | 4,404,891 |
| Change in unrestricted net assets | 116,929 | 23,749 |

Changes in temporarily restricted activities:

| | | |
|--|------------------|------------------|
| Contributions | 3,509,985 | 1,783,172 |
| Net assets released from restrictions: | | |
| Satisfaction of time and purpose restrictions (note 7) | (549,599) | (729,337) |
| Change in temporarily restricted net assets | 2,960,386 | 1,053,835 |
| Change in net assets | 3,077,315 | 1,077,584 |

| | | |
|----------------------------------|---------------------|---------------------|
| Net assets at beginning of year | 4,045,564 | 2,967,980 |
| Net assets at end of year | \$ 7,122,879 | \$ 4,045,564 |

See accompanying notes to financial statements.

Statements of Financial Position August 31, 2013 and 2012

| ASSETS | 2013 | 2012 |
|---------------------------------------|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 200,806 | \$ 1,352,231 |
| Contributions receivable | 295,309 | 211,256 |
| Prepaid expenses | 41,365 | 45,778 |
| Refundable property taxes (note 3) | 116,249 | 77,325 |
| Construction permit deposits (note 4) | 94,775 | 87,225 |
| Employee advances | 2,121 | 3,148 |
| Total current assets | 750,625 | 1,776,963 |
| Property and equipment, net (note 5) | 7,592,782 | 2,331,475 |
| Security deposit | 6,300 | 6,300 |
| Total assets | \$ 8,349,707 | \$ 4,114,738 |

LIABILITIES AND NET ASSETS

| | | |
|--------------------------|------------------|---------------|
| Current liabilities: | | |
| Accounts payable | \$ 272,811 | \$ 20,470 |
| Accrued payroll expenses | 49,017 | 48,704 |
| Line of credit (note 6) | 905,000 | — |
| Total liabilities | 1,226,828 | 69,174 |

| | | |
|---|---------------------|---------------------|
| Net assets: | | |
| Unrestricted | 2,131,234 | 2,014,305 |
| Temporarily restricted (note 7) | 4,991,645 | 2,031,259 |
| Total net assets | 7,122,879 | 4,045,564 |
| Total liabilities and net assets | \$ 8,349,707 | \$ 4,114,738 |

See accompanying notes to financial statements.

Statements of Cash Flows Years ended August 31, 2013 and 2012

| | 2013 | 2012 |
|---|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,077,315 | \$ 1,077,584 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities— | | |
| Depreciation | 75,928 | 35,321 |
| Contributions restricted for long-term investment | (3,203,143) | — |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (84,053) | (211,256) |
| Prepaid expenses | 4,413 | (8,454) |
| Other current assets | — | — |
| Refundable property taxes | (38,924) | (54,745) |
| Security deposit | — | 3,450 |
| Construction permit deposits | (7,550) | — |
| Employee advances | 1,027 | 4,289 |
| Accounts payable | 252,341 | (119,290) |
| Accrued payroll expenses | 313 | (56,901) |
| Net cash provided by operating activities | 77,667 | 669,998 |
| Cash flows used in investing activities: | | |
| Cash paid for property and equipment | (5,337,235) | (524,285) |
| Net cash used in investing activities | (5,337,235) | (524,285) |
| Cash flows provided by financing activities: | | |
| Proceeds from contributions restricted for long-term investment | 3,203,143 | — |
| Line of credit | 905,000 | — |
| Net cash provided by financing activities | 4,108,143 | — |
| Net increase in cash and cash equivalents | (1,151,425) | 145,713 |
| Cash and cash equivalents at beginning of year | 1,352,231 | 1,206,518 |
| Cash and cash equivalents at end of year | \$ 200,806 | \$ 1,352,231 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest on line of credit | \$ 3,798 | \$ — |

See accompanying notes to financial statements.

Statement of Functional Expenses Year ended August 31, 2013 (with comparative amounts for 2012)

| | PROGRAM SERVICES | SUPPORTING SERVICES | | TOTAL 2013 | TOTAL 2012 |
|---|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | | GENERAL & ADMINISTRATIVE | FUNDRAISING | | |
| Compensation, benefits and taxes | | | | | |
| Salaries and wages | \$ 2,224,377 | \$ 104,566 | \$ 280,609 | \$ 2,609,552 | \$ 2,115,059 |
| Benefits | 542,191 | 13,407 | 48,197 | 603,795 | 592,678 |
| Payroll taxes | 167,233 | 6,123 | 18,037 | 191,393 | 154,132 |
| Total salaries and wages, benefits and payroll taxes | 2,933,801 | 124,096 | 346,843 | 3,404,740 | 2,861,869 |
| Insurance | 27,522 | — | — | 27,522 | 27,537 |
| Printing | 16,295 | 2,055 | 20,203 | 38,553 | 54,770 |
| Telephone | 39,435 | — | 5,904 | 45,339 | 40,801 |
| Supplies | 16,766 | 210 | 806 | 17,782 | 16,150 |
| Building repair and maintenance | 70,792 | 900 | — | 71,692 | 27,591 |
| Utilities | 58,757 | 11,576 | — | 70,333 | 48,691 |
| Training | 29,465 | — | — | 29,465 | 43,024 |
| Transportation | 318,258 | — | — | 318,258 | 260,762 |
| Non-capital equipment | 66,090 | — | 5,150 | 71,240 | 26,946 |
| Rent | 87,400 | — | — | 87,400 | 129,896 |
| Meals - students | 264,599 | — | — | 264,599 | 230,904 |
| Meals - staff | 6,464 | 1,731 | 461 | 8,656 | 7,924 |
| Curriculum | 8,578 | — | — | 8,578 | 15,884 |
| Enrichment classes - supplies | 1,878 | — | — | 1,878 | 2,059 |
| Benevolence | 77,525 | — | — | 77,525 | 40,453 |
| Student incentives | — | — | — | — | 2,162 |
| Academic evaluation | 27,960 | — | — | 27,960 | 26,188 |
| Children's events | 80,647 | — | — | 80,647 | 92,208 |
| Publicity | — | — | 80,349 | 80,349 | 46,308 |
| Memberships | — | — | 3,500 | 3,500 | 3,515 |
| Postage | — | 316 | 11,362 | 11,678 | 11,412 |
| Legal and professional fees | 6,561 | 255,089 | 76,832 | 338,482 | 252,032 |
| Bank charges | — | 18,553 | — | 18,553 | 13,265 |
| Volunteer support | 25,229 | — | — | 25,229 | 31,279 |
| Travel | 1,554 | 1,169 | 2,450 | 5,173 | 6,790 |
| College scholarships | 9,580 | — | — | 9,580 | 17,244 |
| School and college supplies | 1,382 | — | — | 1,382 | 31,906 |
| Other | 2,486 | — | — | 2,486 | — |
| Interest | 3,798 | — | — | 3,798 | — |
| Depreciation | 75,928 | — | — | 75,928 | 35,321 |
| Total expenses | \$ 4,258,750 | \$ 415,695 | \$ 553,860 | \$ 5,228,305 | \$ 4,404,891 |

See accompanying notes to financial statements.

INDEPENDENT AUDITORS' REPORT

Board of Directors
By The Hand Club For Kids

We have audited the accompanying financial statements of By The Hand Club For Kids, which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of By The Hand Club For Kids as of August 31, 2013 and 2012, 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. Smit & Associates

Paul J. Smit & Associates
October 21, 2013

Notes to Financial Statements:

August 31, 2013 and 2012

(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 services, as well as a meal 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 significant 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), *Audit and Accounting Guide for Not-for-Profit Organizations*, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of balances into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted. Descriptions of the three net asset categories and the types of transactions affecting each category follow:

- Unrestricted – net assets that are not subject to donor-imposed restrictions. Items that affect this category principally consist of grant revenue and all expenses incurred in connection with the activities of By The Hand. In addition to these exchange transactions, changes in this category of net assets include investment income whose use is unrestricted, unrestricted contributions, restricted contributions whose donor-imposed restrictions were met during the fiscal year, as well as restricted contributions for buildings and equipment that have been amortized over the useful life of the assets acquired or constructed. Unrestricted net assets also includes unrestricted net assets that the Board of Directors has designated for specific purposes, as described in the following paragraph.

During the year ended August 31, 2008, the Board of Directors of By The Hand established a financial reserve fund which is included in unrestricted net assets. The purpose of the fund is to create a financial operating reserve over time that is equal to 90 days of By The Hand's operating expenses. The reserve will be available, upon board authorization, to meet unexpected cash flow needs of By The Hand. The reserve balance was \$1,097,355 and \$980,426 as of August 31, 2013 and 2012, respectively. During the year ended August 31, 2010, the Board authorized the use of \$579,708 of the reserve fund 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 authorized the use of an additional \$220,271 of the reserve fund for the purchase of additional property related to the Austin project. During the year ended August 31, 2013, the Board authorized the use of an additional \$96,570 towards the construction of the building in the Austin neighborhood. As capital funds are received, the balance of the reserve fund will be replenished. The reserve balance, net of the funds used for these property purchases, was \$200,806 and \$180,446 as of August 31, 2013 and 2012, respectively, and consisted of unrestricted cash.

- Temporarily 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 for buildings and equipment, for which donor-imposed restrictions have

Notes to Financial Statements:

August 31, 2013 and 2012

not been met. Expirations of restrictions on temporarily restricted net assets, including amortization of restricted contributions for buildings and equipment, are reported as net assets released from restrictions.

- Permanently restricted – net assets subject to donor-imposed restrictions to be maintained permanently by By The Hand. Items that affect this category include contributions wherein donors stipulate that the corpus be held in perpetuity and only income be made available for program operations. By The Hand currently does not have any permanently restricted net assets.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies 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 those financial instruments.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Acquisitions of property and equipment in excess of \$5,000 are generally capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 25 to 40 years for buildings and building improvements, 2 to 6 years for vehicles, and 3 to 15 years for furniture and equipment.

Building repair and maintenance costs for two of the facilities leased by By The Hand are expensed as incurred since for these facilities the leases can be cancelled by the lessee or lessor at any time or are short-term in nature. Therefore, these repair and maintenance costs are not capitalized and depreciated because they are not deemed to have any realizable, long-term economic value to By The Hand. For owned facilities and those subject to long-term leases, building repair and maintenance costs that increase the value or estimated useful life of such facilities are capitalized and depreciated over their estimated useful lives. Building repair and maintenance costs that do not increase the value or estimated useful life of such facilities are expensed as incurred.

CONTRIBUTIONS AND GRANTS

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 and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, By The Hand has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support that increases temporarily restricted net assets. As depreciation expense is recorded over the useful lives of these assets, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue from government grants is recognized as it is earned through expenditure in accordance with the agreements. Any funding received in

advance of expenditure is recorded as deferred revenue on the statement of financial position.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are recorded when incurred. The costs of providing various program and supporting activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain occupancy and administrative costs have been allocated among the programs and supporting services benefited based on estimates made by management. The supporting services are indispensable to the conduct of the program activities and to By The Hand's existence.

INCOME TAXES

By The Hand is a not-for-profit organization. By The Hand has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, except for income taxes pertaining to unrelated 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. As of August 31, 2013 and 2012, By The Hand had no uncertain tax positions.

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions related to the reporting of assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the period. Actual results may differ from those estimates.

CONTRIBUTED 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.

(3) REFUNDABLE PROPERTY TAXES

In previous years, By The Hand purchased several parcels of land in the Austin neighborhood of Chicago in conjunction with its plans to construct 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 Illinois Department of Revenue until the facility opens and is being used for a tax exempt purpose. Payments for these property taxes of \$116,249 (\$38,924 during the year ended August 31, 2013, \$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. Since the opening of the new Austin facility in June, 2013, By The Hand has received tax exempt certificates for the parcels related to the Austin facility and has submitted requests for refunds of property taxes paid on these parcels.

(4) CONSTRUCTION PERMIT DEPOSITS

By The Hand submitted building permits to the City of Chicago in conjunction with the construction of its new facility in the Austin neighborhood. As part of the permit process, the City of Chicago required payment of "performance deposits" in the amount of \$94,775 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 installed landscaping and fencing has passed the inspection of the City of Chicago Department of Zoning.

Notes to Financial Statements:

August 31, 2013 and 2012

(5) PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2013 and 2012 consisted of the following:

| | 2013 | 2012 |
|------------------------------------|---------------------|---------------------|
| Building and building improvements | \$ 6,608,954 | \$ 1,363,954 |
| Land | 1,067,433 | 1,028,788 |
| Vehicles | 77,201 | 77,201 |
| Furniture and equipment | 74,622 | 20,907 |
| | 7,828,210 | 2,490,850 |
| Less accumulated depreciation | 235,428 | 159,375 |
| Total | \$ 7,592,782 | \$ 2,331,475 |

Depreciation expense was recorded in the amount of \$75,928 and \$35,321 for the years ended August 31, 2013 and 2012, respectively.

(6) LINE OF CREDIT

By The Hand maintains a \$1,005,000 secured line of credit expiring April 11, 2014. At August 31, 2013, \$905,000 had been drawn and was outstanding on the line of credit. The line of credit is collateralized by property owned by By The Hand. Interest on the line varies with an independent index which is the Wall Street Journal Prime Rate, and is payable monthly. As of August 31, 2013, the interest rate on the line was 3.250%. Interest paid on the line of credit during the year ended August 31, 2013 was \$3,798.

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at August 31, 2013:

| | August 31 2012 | Contributions | Net Assets Released from Restrictions | August 31 2013 |
|-----------------------|-------------------|---------------|---|-------------------|
| Boy of Color project | \$210 | \$ — | \$ — | \$210 |
| College scholarships | 16,929 | 23,000 | 9,580 | 30,349 |
| Special projects | 8,835 | 800 | — | 9,635 |
| Future development | 237,120 | — | 237,120 | — |
| Capital campaign | 1,752,018 | 3,347,005 | 184,469 | 4,914,554 |
| Lend to the Lord Fund | 15,942 | 38,820 | 46,136 | 8,626 |
| Reading Takes You Far | 205 | 360 | 565 | — |
| Charter School | — | 100,000 | 71,729 | 28,271 |
| | \$2,031,259 | \$3,509,985 | \$549,599 | \$4,991,645 |

Temporarily restricted net assets are available for the following purposes or periods at August 31, 2012:

| | August 31 2011 | Contributions | Net Assets Released from Restrictions | August 31 2012 |
|-----------------------|-------------------|---------------|---|-------------------|
| Boy of Color project | \$210 | \$ — | \$ — | \$210 |
| College scholarships | 15,973 | 18,200 | 17,244 | 16,929 |
| Special projects | 6,171 | 5,000 | 2,336 | 8,835 |
| Future development | 600,000 | 237,120 | 600,000 | 237,120 |
| Capital campaign | 355,070 | 1,487,822 | 90,874 | 1,752,018 |
| Lend to the Lord Fund | — | 30,260 | 14,318 | 15,942 |
| Reading Takes You Far | — | 4,770 | 4,565 | 205 |
| | \$977,424 | \$1,783,172 | \$729,337 | \$2,031,259 |

For the years ended August 31, 2013 and 2012, net assets were released from donor-imposed restrictions for the college scholarships, special projects, capital campaign, Lend to the Lord Fund, Reading Takes

You Far, and Charter School program by incurring expenses which satisfied the purpose restrictions of donors. For the years ended August 31, 2013 and 2012, 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) CONCENTRATIONS

During the years ended August 31, 2013 and 2012, By The Hand maintained deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk was managed by maintaining all deposits in high quality financial institutions.

During fiscal year 2013, By The Hand received 51% of total contributions from 5 donors. During fiscal year 2012, By The Hand received 49% of total contributions from 15 donors. Contributions include both unrestricted contributions which are used for operations, and temporarily restricted contribution (note 7), a significant amount of which were received in conjunction with the capital campaign.

(9) RELATED PARTY ACTIVITY

During the year ended August 31, 2013, By The Hand contracted with a human resources consulting firm, whose president is a board member of By The Hand. The amount paid to the firm during the year ended August 31, 2013 was \$51,501.

By The Hand outsources certain accounting, human resources, payroll and information technology services to The Moody Church's Department of Finance and Administration. During the years ended August 31, 2013 and 2012, By The Hand incurred and paid The Moody Church \$157,000 and \$145,000, respectively, for these services.

During the years ended August 31, 2013 and 2012, The Moody Church made contributions from its general operating fund of \$90,804 and \$88,200, respectively, to By The Hand.

Members of The Moody Church can designate gifts for By The Hand through member envelope giving to The Moody Church. During the years ended August 31, 2013 and 2012, The Moody Church received gifts designated for By The Hand of approximately \$60,170 and \$589,000, respectively, and in turn remitted these amounts in full to By The Hand.

(10) COMMITMENTS

By The Hand conducts its operations from both owned and leased facilities. By The Hand is responsible for funding all necessary repair and maintenance at one of the leased facilities due to the rental amounts required by the lease. Total rent expense under the leases amounted to \$129,896 and \$112,875 for the years ended August 31, 2013 and 2012, respectively.

Future minimum base rental payments of \$46,200 are required under By The Hand's operating leases for the fiscal year ending August 31, 2014. Future minimum based rental payments of \$1,200 are required under the above operating leases for each of the fiscal years ending August 31, 2014 through August 31, 2033.

(11) SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to August 31, 2013, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended August 31, 2013. Management has performed their analysis through October 21, 2013, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management. No other subsequent events were identified that required recognition of or disclosure in the financial statements.

Leading by serving

By The Hand Board of Directors

Tom Sawyer, Chairman
Attorney (Retired)
Carol Simpson, Vice Chairman
Attorney, Carol Simpson Law Offices

Christine Parker, Secretary
Counsel, IBM Corporation

Julius Wilson, Assistant Secretary
Manager, Avaya (Retired)

Mark Sauer, Treasurer
Vice President, eLoyalty Corporation

David Donaldson
Director, Chicago Metro Complex, Merrill Lynch

James Fellowes
Chairman and Chief Executive Officer,
Fellowes, Inc.

Nancy Hanson
Teacher (Retired)

Roy Patterson
Station Manager, WMBI Radio

Vivette Payne
President, Avery Payne Group

By The Hand Leadership Staff

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Director of Crisis and Compassion

Bernadette Ballanger
Director of By The Hand – Austin

Teri Ijeoma
Director of Volunteer Development

Sarah James
Director of By The Hand – Englewood

Dara Johnson
Senior Director of Operations

Ed Johnson
Director of Spiritual Development

George Merriweather
Interim Director of By The Hand – Cabrini-Green

Kamilah Perkins
Senior Director of CBK

Jennifer Richardson
Director of By The Hand – Altgeld-Murray

Miguel Rodriguez
Director of Facilities

Michael Rogers
Managing Director of Strategic Growth
and Development

Susannah Schwarcz
Director of Fund Development

David Spencer
Senior Director of Learning

Donnita Travis
Founder & Executive Director

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www.bythehand.org

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



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