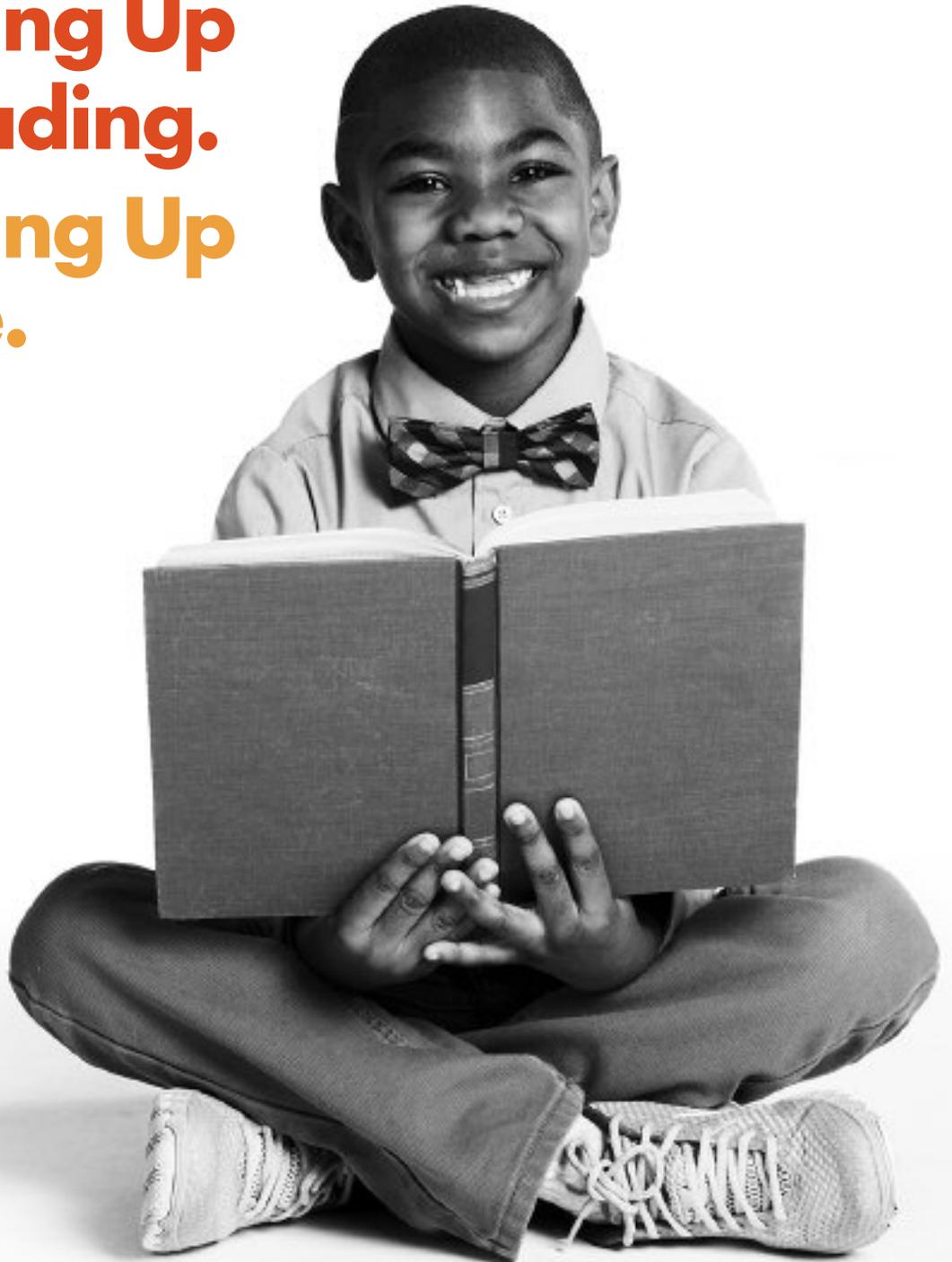


**Leveling Up  
in Reading.  
Leveling Up  
in Life.**



By The Hand Club For Kids  
2015 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! Thank you for your prayers and support. Your faithful generosity has enabled us to grow from 16 kids from Cabrini-Green to 1,180 kids from four of Chicago's most under-resourced neighborhoods—Altgeld-Murray, Austin, Cabrini-Green, Englewood. In many ways, 2014-2015 has been a record year with many of our kids leveling up in reading—and life.

As a result, our kids earned their highest overall GPA (2.7) and their best reading and math GPAs. We saw 81% of our kids pass all of their classes and 56% earn all ABCs—record-high percentages. And, collectively, our kids also earned their lowest number of Ds and Fs.

Moreover, 230 of our kids made honor roll—a 25% increase from last year. And 100% of our high school seniors graduated, with 93% of them enrolling in college. In contrast, only 40% of Chicago Public Schools high school graduates enroll in college.

With 57 kids who either are enrolled in or have graduated from a college, university or certified technical school, the transformation in our kids' lives is having an impact on society. According to US Census Bureau estimates, 57 college students can expect to earn a total of \$114 million over 40 years. In contrast, 57 students who drop out of high school and enter a life of crime or drugs cost taxpayers \$119.7 million.

We are also rejoicing that 133 of our children accepted Jesus as their Lord and Savior—and we are humbled that 1,647 children have done so since we began in 2001 with 16 kids from Cabrini-Green.

To help our kids level up to their full potential, we literally and physically take them by the hand and walk alongside them—from the time they enroll in By The Hand until they're walking independently as adults. We begin by providing a safe place to learn during the after-school hours—the most dangerous time of day for kids in one of the most dangerous cities of America. The kids are tutored to academic excellence. They are given opportunities to discover their God-given talents and mentored to make wise, life-defining decisions. Their basic nutritional and healthcare needs are met. And they are loved as our own—mind, body and soul.

Last year alone, we served 46,418 hot, nutritious meals and provided 602 eye exams and 625 dental appointments—including eyeglasses and extra dental work, when needed. We also paid for professional counseling for 150 kids who needed it.

We also address literacy—critically important to success. Children who can't read at grade level by the time they're in third grade are four times more likely to drop out of high school—eight times if they are from poor, minority neighborhoods like the ones By The Hand serves.

For this reason, we rolled out our blended learning program to all four clubs this year, leveraging a combination of technology-based learning and one-on-one personalized instruction. The results were even more dramatic than they were when we piloted the program the previous year, with some of our students improving their reading level as much as two grades.

With the goal of serving 2,000 kids in critical need of intervention by 2020—we opened the fifth By The Hand location in our new 50,000-square-foot Austin facility. Simultaneously, we leased the same building to Moving Everest Charter School, which opened August 24, 2015. Beginning with kindergarten and first grade this year, we will add 180 kids to our roster—and an additional 90 each year as we add another grade. As separate entities, the school-plus-after-school model enables us to have an even greater impact on our kids while dramatically reducing our cost per child.

This year, we finished our fourteenth consecutive year in the black by keeping expenses low and continuing to grow revenue. However, none of this would be possible without God's blessing and the support of people like you. We are not endowed. We can only serve as many kids as allowed through the generosity of others. So thank you for providing our kids with the opportunity to experience abundant life—and for helping them level up in life as well as in school.

Sincerely,



Donnita Travis  
Founder and Executive Director

## Leveling up in reading

In many respects, this has been a record year for our kids leveling up their literacy skills to higher grade levels. A driving force for our kids' breakthrough performances can be attributed to the rollout of the technology-enabled, blended learning program to all four clubs.

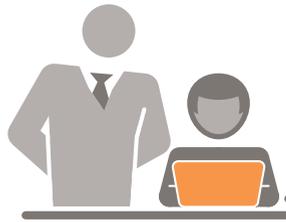
Serving first- to eighth-grade students, the results have been even more dramatic than when we piloted the program the previous year. Students who spent the most minutes on the blended learning programs had the highest GPAs and all ABCs.

Incredibly, some of our students improved their reading level as much as two grades within just four months. The first- to fifth-grade students improved an average of 1.6 grade levels and the sixth- to eighth-grade students improved an average of 1.3 grade levels.

## Leveling up faster

Combining computerized assessment and reading instruction with personalized attention enables our kids to catch up to their peers at a much faster pace. Based on their grade level, kids are divided into three groups. Each group rotates among three stations, spending 30 minutes at each station for a total of 90 minutes—at least three times a week.

**Each student** is assessed at the beginning of the program and placed at an appropriate learning level.



### Station 1 Self-paced technology station

Kids work individually at their own pace on computers. Technology provides real-time personalized data that correlates with Common Core State Standards. Kids are motivated by ongoing feedback about how they are doing. Challenges are identified to enable By The Hand to know what to address. Successes are celebrated.



### Station 3 Read-aloud station

Students read challenging material to improve their reading comprehension. They are encouraged to set weekly goals and track their own progress.



### Station 2 Homework assistance

Kids receive homework assistance from team leaders and volunteers, including one-on-one instruction for improving reading skills.

## Leveling up her confidence

Last year Brianna's reading ability jumped two and a half grade levels, helping her to earn a C in reading and a 3.2 GPA. Her teacher said, "I don't know what you are doing with Brianna, but keep it up. She likes to read and is much more outgoing and confident —she doesn't cry and doesn't give up."



HIGHEST PERCENTAGE OF  
KIDS EARNING ALL ABCs

56%  
81%

HIGHEST PERCENTAGE OF KIDS  
PASSING ALL OF THEIR CLASSES



KIDS ATTENDING OR WHO HAVE  
GRADUATED FROM COLLEGE OR  
CERTIFIED TECHNICAL SCHOOL

57

## Leveling up for college

Kids who earn a college degree can expect to earn 83% more than if they don't, so we are delighted when our high school graduates level up to college. We also work with them to secure scholarships. For example, Malik Savage ('13) and Jermisha Porter ('14) were awarded the Gates Millennium Scholarship, which is paying for their undergraduate and graduate education in full.



COLLEGE ENROLLMENT

93%

HIGH SCHOOL GRADUATION

100%



230

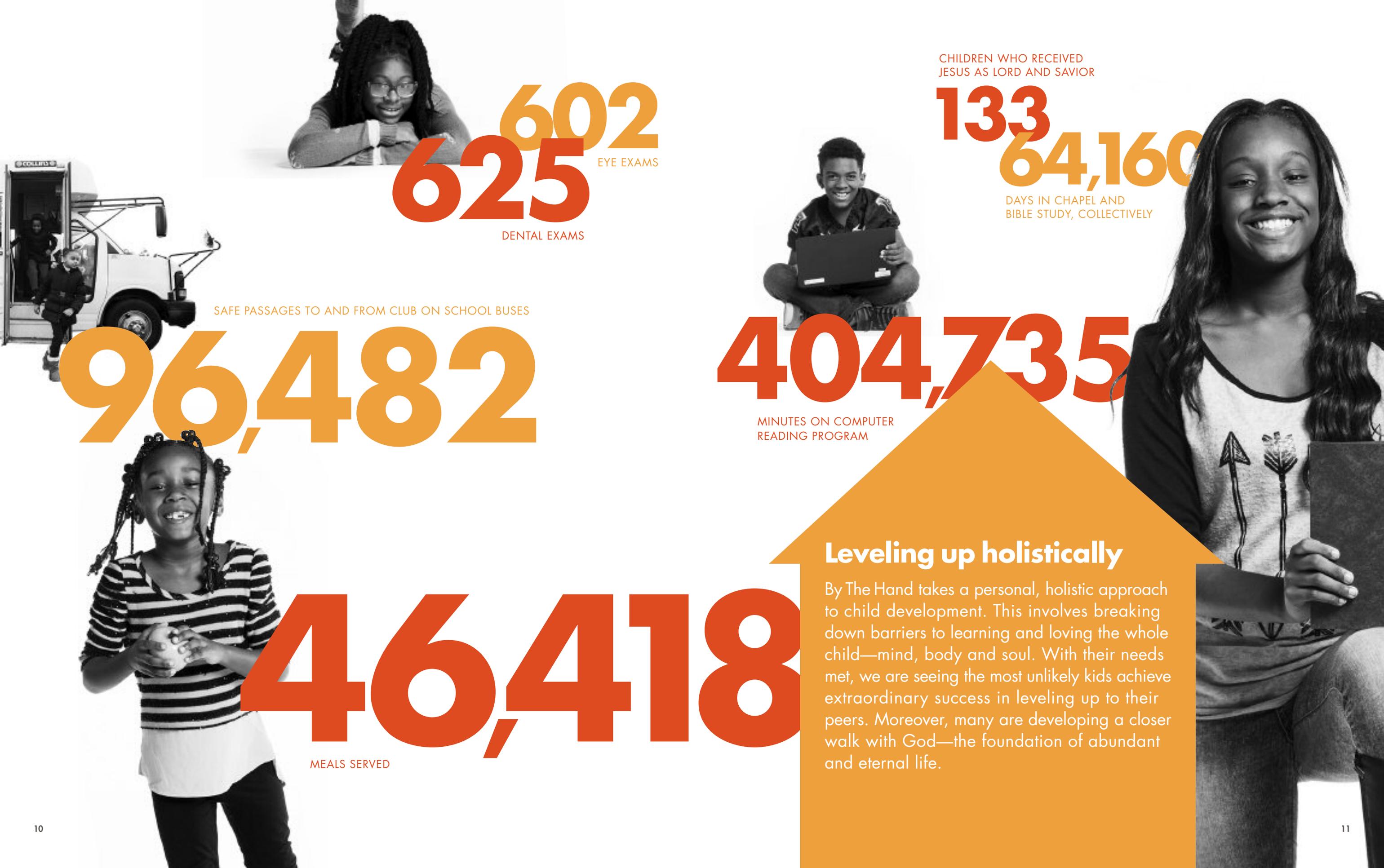
HONOR ROLL STUDENTS



2.7

HIGHEST OVERALL GPA





602

EYE EXAMS

625

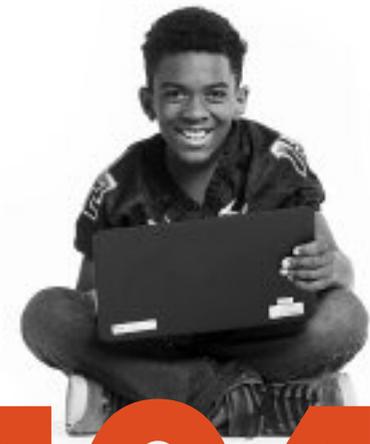
DENTAL EXAMS

CHILDREN WHO RECEIVED JESUS AS LORD AND SAVIOR

133

64,160

DAYS IN CHAPEL AND BIBLE STUDY, COLLECTIVELY



404,735

MINUTES ON COMPUTER READING PROGRAM



SAFE PASSAGES TO AND FROM CLUB ON SCHOOL BUSES

96,482



46,418

MEALS SERVED

### Leveling up holistically

By The Hand takes a personal, holistic approach to child development. This involves breaking down barriers to learning and loving the whole child—mind, body and soul. With their needs met, we are seeing the most unlikely kids achieve extraordinary success in leveling up to their peers. Moreover, many are developing a closer walk with God—the foundation of abundant and eternal life.

## Setting measurable goals

Taking a holistic approach to child development, By The Hand has always emphasized measurable goals for academic, physical and spiritual development.

### MIND

- Meet or exceed state standards in reading and math
- Pass all classes, preferably making all ABCs

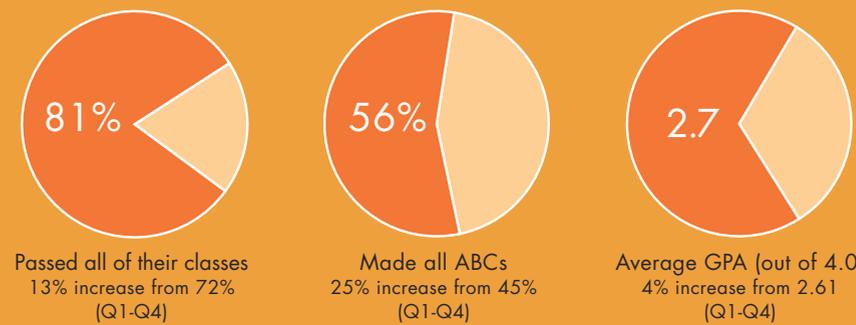
### BODY

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

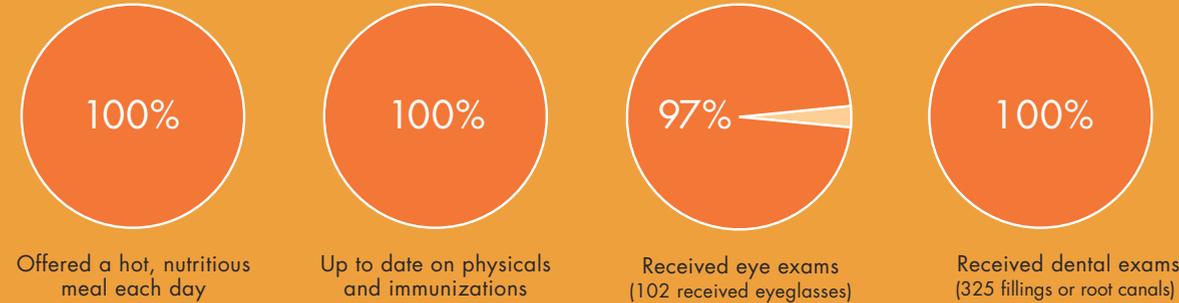
### SOUL

- Profess faith in Christ
- Attend church

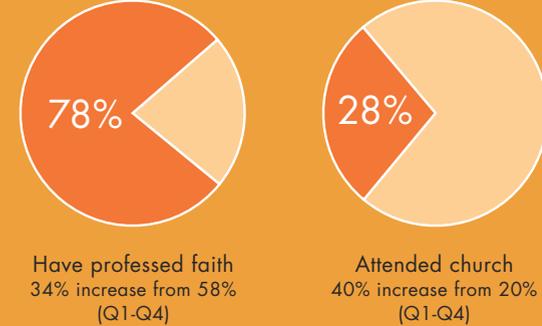
### MIND



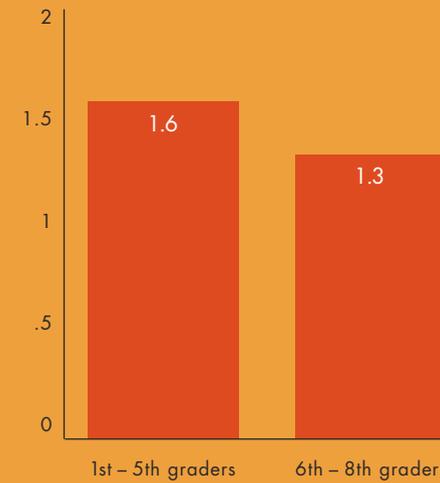
### BODY



### SOUL



### READING GRADE LEVEL INCREASE

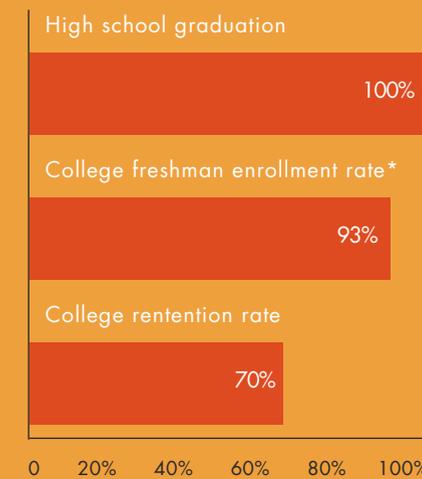


### CLUB ATTENDANCE AND RETENTION FROM Q1 TO Q4



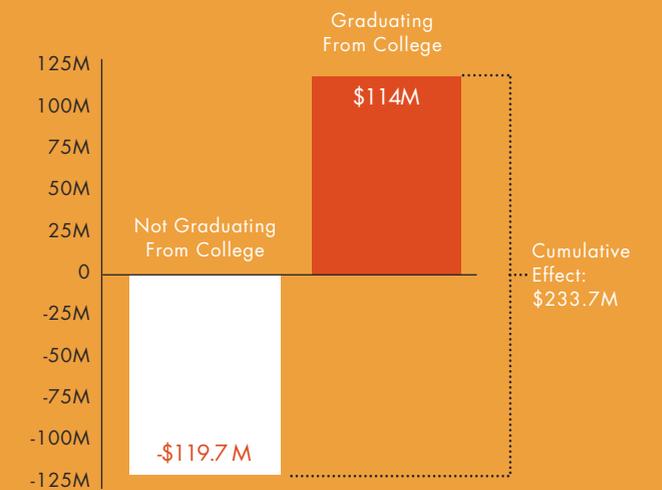
Reasons for disenrollment:  
Attendance: 40%, Family moved: 27%, Behavior: 15%, All other reasons: 18%

### MATRICULATION RATES



\*2015 high school graduates who enrolled in a college, university or certified technical school

### ECONOMIC IMPACT OF 57 KIDS

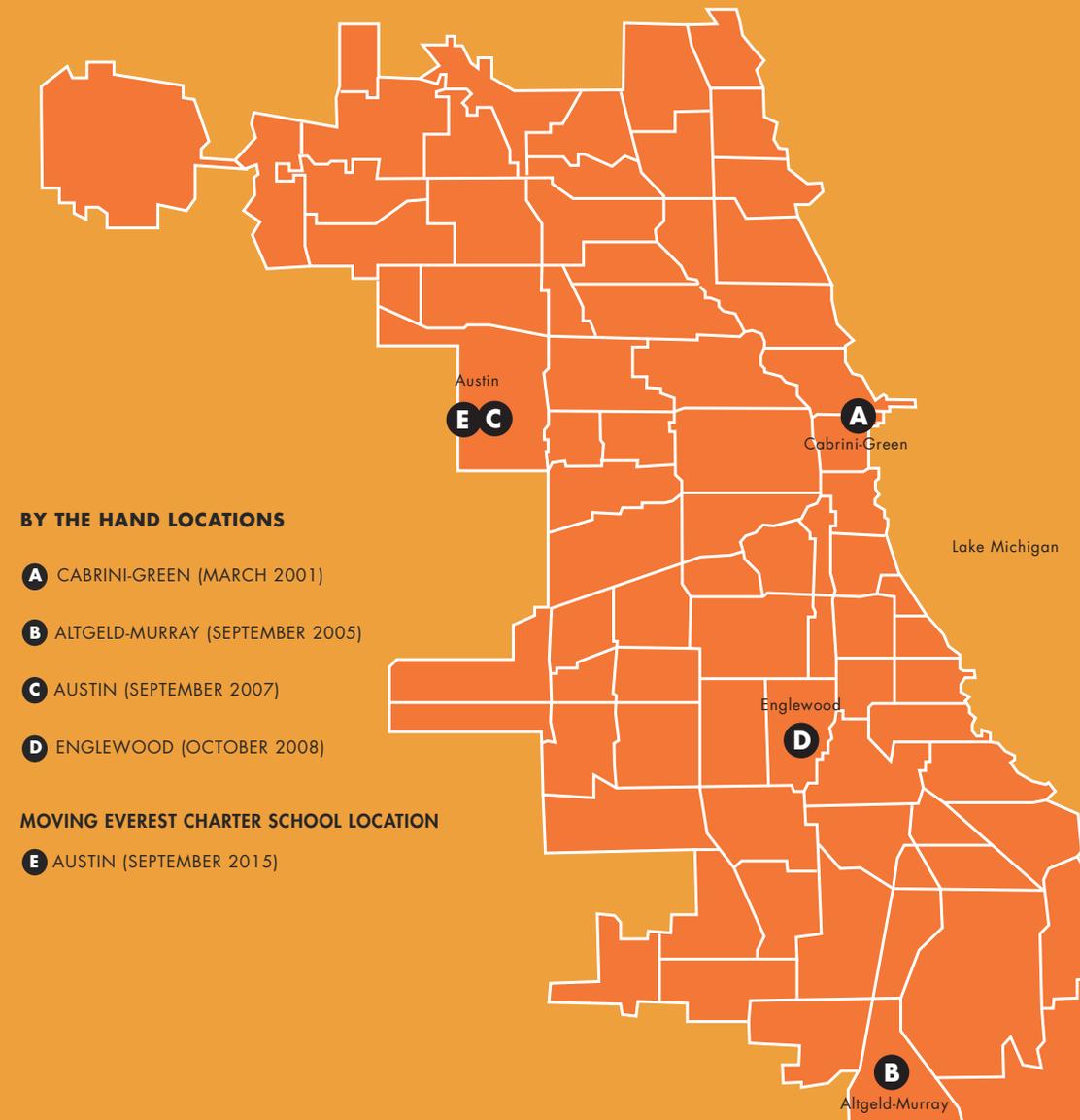


The US Census Bureau estimates that a person with a bachelor's degree will earn \$2 million over the course of 40 years—or 83% more than a person with just a high school diploma. In contrast, every high school dropout who enters a life of crime and drugs costs society \$2.1 million.

## Serving where the need is greatest

Since 2001, By The Hand has grown from one to five locations, each strategically located in Chicago's most under-resourced, lowest academic-performing neighborhoods. Nearly a third of residents in these communities live below the poverty line—amidst crime, drugs, violence and poor job prospects.

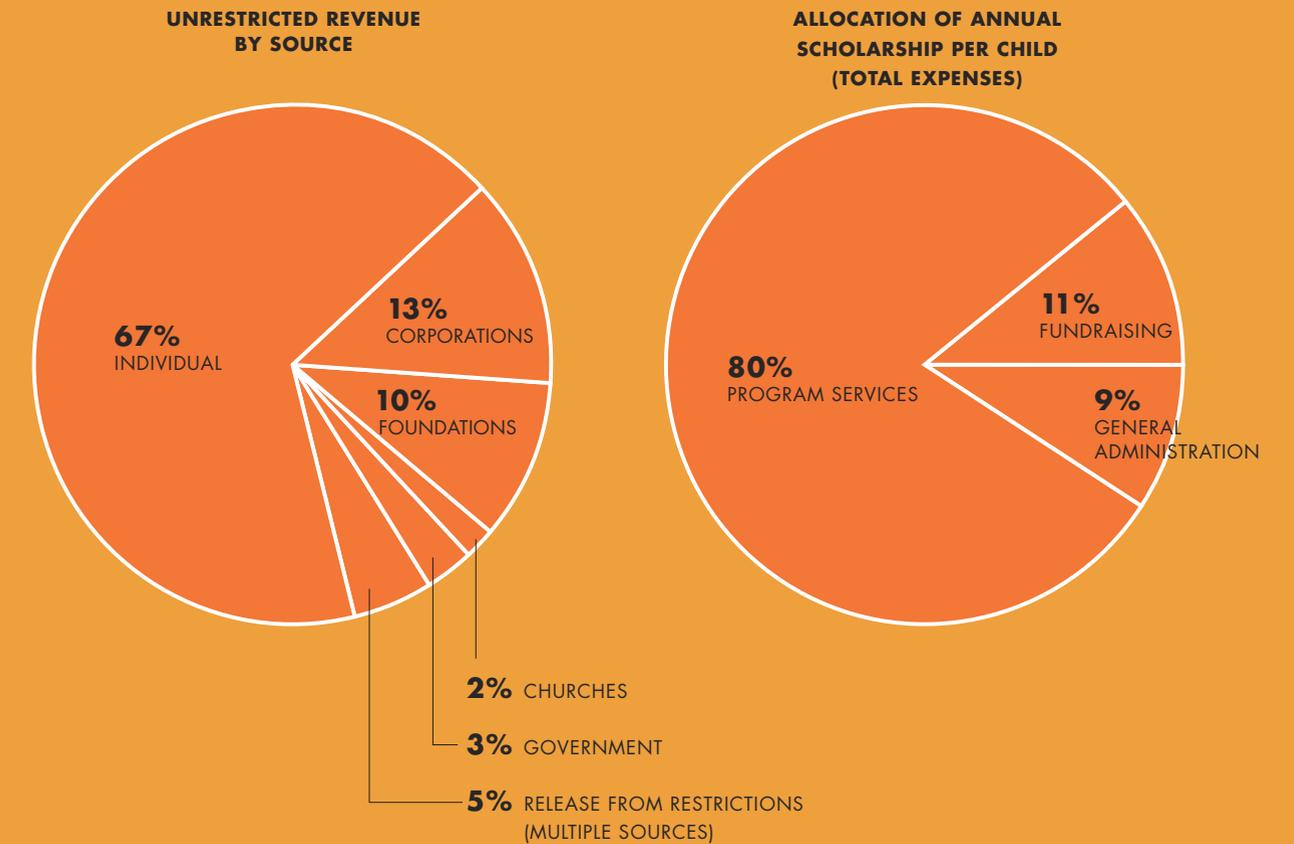
Four of our sites are at capacity at 264 students—or 22 kids per class from first to twelfth grade. However, this fall we will serve an additional 90 kindergarten and 90 first-grade students at our new Moving Everest/Austin site—and another 90 kids each year as we add a grade to eventually accommodate 810 kindergarten to eighth-grade students. We are also considering opening a sixth site in four years, following the same model as Moving Everest/Austin.



## 2014-2015—Our strongest year financially

Praise God! We finished the fourteenth consecutive year in the black—investing 80 percent of every dollar into programming while minimizing fund development and administration costs. Yet, as an independent 501(c)(3) nonprofit organization, we are not endowed. It is only through the generosity of people like you that we can meet the needs of children in critical need of intervention.

SEPTEMBER 2014 - AUGUST 2015 ALLOCATIONS



**Statements of Activities** Years ended August 31, 2015 and 2014

	2015	2014
Changes in unrestricted activities:		
Revenue and support:		
Contributions	\$ 3,222,746	\$ 3,161,843
Donated goods and services	105,900	93,500
Special events, net of direct costs of \$206,229 in 2015 and \$155,454 in 2014	1,997,023	1,845,843
Government grants	194,295	195,954
Other	16,837	9,478
Net assets released from restrictions:		
Satisfaction of time and purpose restrictions	260,854	534,119
<b>Total revenue and support</b>	<b>5,797,655</b>	<b>5,840,737</b>
Expenses:		
Program services	4,529,081	4,531,201
General and administrative	542,031	637,202
Fundraising	607,823	626,138
<b>Total expenses</b>	<b>5,678,935</b>	<b>5,794,541</b>
Change in unrestricted net assets	118,720	46,196
Changes in temporarily restricted activities:		
Contributions	3,509,962	3,150,990
Net assets released from restrictions:		
Satisfaction of time and purpose restrictions	(260,854)	(534,119)
<b>Change in temporarily restricted net assets</b>	<b>3,249,108</b>	<b>2,616,871</b>
Change in net assets	3,367,828	2,663,067
Net assets at beginning of year	9,785,946	7,122,879
<b>Net assets at end of year</b>	<b>\$ 13,153,774</b>	<b>\$ 9,785,946</b>

See accompanying notes to financial statements.

**Statements of Financial Position** August 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,096,402	\$ 2,095,348
Contributions receivable	143,587	167,336
Prepaid expenses and other	37,031	49,679
Refundable property taxes	26,682	95,387
Construction permit deposits	33,700	33,700
Loans receivable	—	85,369
<b>Total current assets</b>	<b>2,337,402</b>	<b>2,526,819</b>
Property and equipment, net (note 6)	18,419,855	8,213,223
<b>Total assets</b>	<b>\$20,757,257</b>	<b>\$ 10,740,042</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Construction payable and retainage	\$ 2,703,787	\$ —
Accounts payable	131,871	9,601
Accrued payroll expenses	51,795	39,495
Deferred income	22,500	—
Line of credit	951,160	905,000
<b>Total current liabilities</b>	<b>3,861,113</b>	<b>954,096</b>
Construction loan	3,742,370	—
<b>Total liabilities</b>	<b>7,603,483</b>	<b>954,096</b>
Net assets:		
Unrestricted	2,296,150	2,177,430
Temporarily restricted	10,857,624	7,608,516
<b>Total net assets</b>	<b>13,153,774</b>	<b>9,785,946</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,757,257</b>	<b>\$ 10,740,042</b>

See accompanying notes to financial statements.

**Statements of Cash Flows** Years ended August 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 3,367,828	\$ 2,663,067
Adjustments to reconcile change in net assets to net cash provided by operating activities—		
Depreciation	196,757	193,899
Contributions restricted for long-term investment	(3,433,000)	(2,435,916)
In-kind contributions	(10,500)	—
Changes in operating assets and liabilities:		
Contributions receivable	23,749	127,973
Prepaid expenses and other	12,648	107
Loans receivable	85,369	(85,369)
Refundable property taxes	68,705	20,862
Construction permit deposits	—	61,075
Accounts payable	122,270	(263,210)
Accrued payroll expenses	12,300	(9,522)
Deferred income	22,500	—
<b>Net cash provided by operating activities</b>	<b>468,626</b>	<b>272,966</b>
Cash flows used in investing activities:		
Cash paid for property and equipment	(7,689,102)	(814,340)
<b>Net cash used in investing activities</b>	<b>(7,689,102)</b>	<b>(814,340)</b>
Cash flows provided by financing activities:		
Proceeds from contributions restricted for long-term investment	3,433,000	2,435,916
Proceeds from line of credit	46,160	—
Proceeds from construction loan	3,742,370	—
<b>Net cash provided by financing activities</b>	<b>7,221,530</b>	<b>2,435,916</b>
Net increase in cash and cash equivalents	1,054	1,894,542
Cash and cash equivalents at beginning of year	2,095,348	200,806
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,096,402</b>	<b>\$ 2,095,348</b>
Supplemental disclosures of cash flow information:		
Cash paid for interest on line of credit	\$ 30,496	\$ 30,097

See accompanying notes to financial statements.

Statement of Functional Expenses Year ended August 31, 2015 (with comparative amounts for 2014)

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL 2015	TOTAL 2014
		GENERAL & ADMINISTRATIVE	FUNDRAISING		
Compensation, benefits and taxes					
Salaries and wages	\$ 2,206,964	\$ 61,947	\$ 308,924	\$ 2,577,835	\$ 2,690,272
Benefits	346,790	5,735	52,101	404,626	665,181
Payroll taxes	163,128	2,306	20,282	185,716	196,525
Total salaries and wages, benefits and payroll taxes	2,716,882	69,988	381,307	3,168,177	3,551,978
Insurance	37,065	—	—	37,065	31,630
Printing	10,271	4,418	17,036	31,725	48,619
Telephone	46,314	96	8,276	54,686	48,124
Supplies	10,102	475	1,189	11,766	16,384
Building repair and maintenance	193,999	—	—	193,999	161,163
Utilities	90,547	4,307	—	94,854	111,467
Training	5,762	—	—	5,762	11,810
Transportation	368,373	—	—	368,373	359,463
Non-capital equipment	218,068	—	7,969	226,037	55,201
Rent	48,950	—	—	48,950	47,450
Meals - students	231,795	—	—	231,795	246,889
Meals - staff	1,542	1,400	220	3,162	6,384
Curriculum	8,137	—	—	8,137	9,901
Enrichment classes - supplies	7,995	—	—	7,995	1,870
Benevolence	57,556	—	—	57,556	49,034
Academic evaluation	27,165	—	—	27,165	32,107
Children's events	112,141	—	—	112,141	104,019
Publicity	—	—	63,132	63,132	51,823
Memberships	—	—	3,714	3,714	3,820
Postage	—	449	10,676	11,125	10,279
Legal fees	—	10,684	—	10,684	3,465
Professional fees	34,089	332,483	109,778	476,350	492,137
Bank charges	—	21,905	—	21,905	20,240
Volunteer support	28,932	—	—	28,932	26,113
Travel	1,583	215	4,526	6,324	7,632
College scholarships	28,951	—	—	28,951	23,524
School and college resources	11,618	—	—	11,618	20,779
Property taxes	—	95,611	—	95,611	14,370
Other	3,991	—	—	3,991	2,870
Interest	30,496	—	—	30,496	30,097
Depreciation	196,757	—	—	196,757	193,899
Total expenses	\$ 4,529,081	\$ 542,031	\$ 607,823	\$ 5,678,935	\$ 5,794,541

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, 2015 and 2014, 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, 2015 and 2014, 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 30, 2015

Notes to Financial Statements: August 31, 2015 and 2014

(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.

Unrestricted – net assets that are not subject to donor-imposed restrictions. Items that affect this category principally consist of unrestricted contributions and all expenses incurred in connection with the activities of By The Hand. In addition, changes in this category of net assets include investment income whose use is unrestricted, 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 \$368,622 and \$252,876 as of August 31, 2015 and 2014, 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 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 facilities leased by By The Hand where the lease is short-term in nature 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 statements 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 statements 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 statements of financial position.

**FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses are recorded when the obligation is incurred. The costs of providing various program and supporting activities have been summarized on a functional basis in the accompanying statements 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 income. As of August 31, 2015 and 2014, By The Hand had no uncertain income 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.

**RECLASSIFICATIONS**

Certain amounts in the accompanying 2014 financial statements have been reclassified to conform to the 2015 presentation.

**(3) REFUNDABLE PROPERTY TAXES**

In previous years, By The Hand purchased two groups of 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 made related to the facilities have

been recorded either as property tax expense or refundable property taxes, based on an analysis of the real estate tax installments paid, the period of time they were representative of, and the likelihood that the parcel would ultimately be deemed tax exempt.

**(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 during 2013, 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. During the year ended August 31, 2014, \$61,075 of the deposits were refunded. The remaining balance of \$33,700 has been retained by the City of Chicago for similar purposes related to a new building being constructed by By The Hand, and is expected to be refunded during the year ending August 31, 2016.

**(5) LOANS RECEIVABLE**

On July 21, 2014, By The Hand established a line of credit with Chicago Education Partnership, a newly-formed not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. By The Hand is working closely with Chicago Education Partnership to establish Moving Everest Charter School in the Austin neighborhood of Chicago where students will also have the option to attend By The Hand Club. The line of credit is intended to be a short-term arrangement to assist Chicago Education Partnership with start-up costs until funding is obtained by Chicago Education Partnership to repay such loans. The line of credit allows for borrowings of up to \$150,000, bears an interest rate of prime plus 0.25%, and expires on January 21, 2016. The line of credit is for a term of eighteen months; however it can be called by By The Hand after twelve months, and can be repaid at any time with no prepayment penalties. The loan was paid in full during the year ended August 31, 2015. As of August 31, 2014, \$85,369 was outstanding and due from Chicago Education Partnership on the line of credit.

**(6) PROPERTY AND EQUIPMENT**

Property and equipment at August 31, 2015 and 2014 consisted of the following:

	2015	2014
Building and building improvements	\$ 6,608,954	\$ 6,608,954
Land	1,394,050	1,394,050
Vehicles	87,701	77,201
Furniture and equipment	74,622	74,622
Construction in progress	10,880,612	487,723
	19,045,939	8,642,550
Less accumulated depreciation	(626,084)	(429,327)
<b>Total</b>	<b>\$ 18,419,855</b>	<b>\$ 8,213,223</b>

Depreciation expense was recorded in the amount of \$196,757 and \$193,899 for the years ended August 31, 2015 and 2014, respectively.

During the year ended August 31, 2015, By The Hand began construction of a new \$12 million facility in the Austin community. Construction in progress related to the new facility as of August 31, 2015 was \$10,880,612. The facility will be used by a new charter school, Moving Everest, which will

lease the facility from By The Hand during school hours. At the close of school each day, parents may choose to have their children attend By The Hand Club, which will provide wrap-around holistic services after school, including tutoring, social activities and spiritual guidance.

**(7) LINE OF CREDIT**

By The Hand maintains a \$1,005,000 secured line of credit expiring April 11, 2016. At August 31, 2015 and 2014, \$951,160 and \$905,000, respectively, 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, 2015 and 2014, the interest rate on the line was 3.250%. Interest paid on the line of credit during the years ended August 31, 2015 and 2014 was \$30,496 and \$30,097, respectively.

The line of credit is secured by a Mortgage and Assignment of Rents dated April 11, 2013, and a Modification of Mortgage dated October 11, 2014 to the lender on real property commonly known as 415 North Laramie Avenue, Chicago, Illinois.

**(8) CONSTRUCTION LOAN**

By The Hand signed a promissory note with a financial institution on March 5, 2015 that allows for borrowings of up to \$6,500,000. The promissory note expires on March 4, 2016, at which time the principal balance will be automatically converted to a five-year mortgage with a twenty-year amortization and a fixed interest rate. Interest on the promissory note varies with an independent index which is the Wall Street Journal Prime Rate, and is payable monthly. As of August 31, 2015, the interest rate was 4.0%.

Outstanding borrowings on the construction loan as of August 31, 2015 were \$3,742,370. Interest paid on the promissory note during the year ended August 31, 2015 was \$6,373, and was capitalized as part of the building project. The note is secured by a Mortgage, Assignment of Rents and Commercial Security Agreement dated March 2, 2015 to the lender on real property commonly known as 416 North Laramie Avenue, Chicago, Illinois and 415 North Laramie Avenue, Chicago, Illinois, an Assignment of Construction Contract dated March 2, 2015, and an Assignment of Architect's Contract dated March 2, 2015.

**(9) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at August 31, 2015:

	August 31 2014	Contributions	Net Assets Released from Restrictions	August 31 2015
College scholarships	\$ 19,463	\$ 42,522	\$ (28,951)	\$ 33,034
Special projects	9,635	3,705	(3,705)	9,635
Capital campaign	5,610,470	10,000	(135,360)	5,485,110
Capital campaign				
AU K-5	1,540,000	3,373,000	—	4,913,000
Capital campaign				
Altgeld	200,000	50,000	—	250,000
Lend to the Lord Fund	8,938	30,735	(22,828)	16,845
Evan's Life Fund	220,010	—	(70,010)	150,000
	<b>\$7,608,516</b>	<b>\$ 3,509,962</b>	<b>\$ (260,854)</b>	<b>\$ 10,857,624</b>

**Notes to Financial Statements:** August 31, 2015 and 2014

Temporarily restricted net assets are available for the following purposes at August 31, 2014:

	August 31 2013	Contributions	Net Assets Released from Restrictions	August 31 2014
Boy of Color project	\$ 210	\$ —	\$ 210	\$ —
College scholarships	30,349	12,638	(23,524)	19,463
Special projects	9,635	—	—	9,635
Capital campaign	4,914,554	1,017,637	(321,721)	5,610,470
Capital campaign AU K-5	—	1,540,000	—	1,540,000
Capital campaign Altgeld	—	200,000	—	200,000
Lend to the Lord Fund	8,626	25,615	(25,303)	8,938
Evan’s Life Fund	—	250,000	(29,990)	220,010
Charter School	28,271	105,100	(133,371)	—
	<b>\$4,991,645</b>	<b>\$ 3,150,990</b>	<b>\$ (534,119)</b>	<b>\$ 7,608,516</b>

**(10) CONCENTRATIONS**

During the years ended August 31, 2015 and 2014, 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 2015, By The Hand received 49% of total contributions from 5 donors. During fiscal year 2014, By The Hand received 41% of total contributions from 5 donors. Contributions include both unrestricted contributions which are used for operations, and temporarily restricted contributions (note 9), a significant amount of which were received in conjunction with the capital campaign.

**(11) RELATED PARTY ACTIVITY**

During the years ended August 31, 2015 and 2014, 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 years ended August 31, 2015 and 2014 was \$93,144 and \$84,016, respectively.

By The Hand outsources certain accounting, human resources, payroll and information technology services to The Moody Church’s Department of Finance and Administration. During each of the years ended August 31, 2015 and 2014, By The Hand incurred and paid The Moody Church \$180,000 for these services. Effective September 1, 2015, these services were outsourced to an unrelated party, excluding certain accounting functions which will transition November 1, 2015.

During the years ended August 31, 2015 and 2014, The Moody Church made contributions from its general operating fund of \$95,400 and \$93,500, respectively, to By The Hand. In addition, during the year ended August 31, 2014, The Moody Church made a special contribution of \$75,000 to By The Hand during The Moody Church Legacy Dinner celebrating the 150th anniversary of the church. 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, 2015 and 2014, The Moody Church received gifts designated for By The Hand of approximately \$33,988 and \$36,037, respectively, and in turn remitted these amounts in full to By The Hand.

As discussed in note 5 to the financial statements, on July 21, 2014, By The Hand extended a shortterm line of credit to Chicago Education Partnership, a newly formed not-for-profit organization exempt from income taxes under

Section 501(c)(3) of the Internal Revenue Code. The Executive Director of By The Hand is a member of the Board of Directors of Chicago Education Partnership. The mission of Chicago Education Partnership is to create Moving Everest Charter School, a tuition-free public charter school that dramatically transforms the lives of K-8 students and prepares them for success in college and in life through the delivery of a rigorous and personalized academic program, a focus on holistic education and the development of strong character. By The Hand and Chicago Education Partnership are working together in the Austin neighborhood of Chicago to create a synergistic program that meets students’ academic, social and emotional needs.

As discussed in note 12, By The Hand entered into a building lease agreement with Chicago Education Partnership, for a building constructed by By The Hand.

**(12) BUILDING LEASE**

During the year ended August 31, 2015, By The Hand entered into an operating lease agreement with Chicago Education Partnership for a newly constructed facility owned by By The Hand. The property being leased consists of a three-story school building with a gymnasium located at 416 North Laramie Avenue, Chicago, Illinois, which consists of approximately 50,000 square feet of space. The lease term is five years commencing on August 1, 2015 and ending on July 31, 2020. Under the lease agreement, the tenant has the right and option to renew the lease for one additional five year period subject to the terms set forth in the lease agreement.

Future minimum rentals due under the terms of leases in effect at August 31 are as follows:

**YEARS ENDED AUGUST 31:**

2016	\$ 151,875
2017	208,125
2018	275,625
2019	343,125
2020	371,250
	<b>\$ 1,350,000</b>

Rental income under the above lease for the year ended August 31, 2015 totaled \$11,250.

**(13) 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 \$48,950 and \$47,450 for the years ended August 31, 2015 and 2014, respectively.

Future minimum base rental payments required under the above operating leases are \$56,200 for year ending August 31, 2016, \$50,700 for the year ending August 31, 2017, and \$1,200 for each of the years ending August 31, 2018 through 2033.

**(14) SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to August 31, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended August 31, 2015. Management has performed their analysis through October 30, 2015, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management. No 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  
Attorney, Law Office of Christine A. Parker
- Julius Wilson, Assistant Secretary  
Manager, Avaya (Retired)
- Mark Sauer, Treasurer  
Vice President, Mattersight Corporation
- David Donaldson  
Director, Chicago Metro Complex, Merrill Lynch
- James Fellowes  
Chairman, Fellowes, Inc.
- Nancy Hanson  
Teacher (Retired)
- Peggy Lim  
Teacher (Former)
- Roy Patterson  
Special Asst. to the President for Community  
Relations, Moody Bible Institute
- Vivette Payne  
President, Avery Payne Group

**By The Hand Leadership Staff**

- Bethany Arvan  
Director of Compassion and Crisis
- Bernadette Ballanger  
Director of By The Hand – Austin
- Rebecca Bognet  
Director of Club For College Kids (CCK)
- Rachel Gallardo  
Managing Director of Program Innovation
- Steven Glover  
Director of By The Hand – Cabrini-Green
- Michele Hoekstra  
Senior Director of Learning
- Teri Ijeoma  
Director of Volunteer Development
- Omokhosen “Osen” Imoukhuede  
Director of By The Hand – Altgeld-Murray
- Sarah James  
Senior Program Operations Manager
- Marc Kole  
Senior Director of Finance
- Martha Metcalfe  
Senior Reading Specialist
- Dwayne Moment  
CBK Program Manager
- Miguel Rodriguez  
Director of Facilities
- Susannah Schwarcz  
Senior Director of Fund Development
- Anwar Smith  
Managing Director of Operations
- Donnita Travis  
Founder & Executive Director
- Lamont Washington  
Director of By The Hand – ME/Austin
- Eddie Wilson  
Director of By The Hand – Englewood

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[www.bythehand.org](http://www.bythehand.org)

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



A lighter standard.  
A lighter purpose.