

A Declaration of Hope



**BY
THE
HAND
CLUB
FOR
KIDS**

By The Hand Club For Kids
2016 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 enabled us to love 1,180 kids—mind, body and soul—from Altgeld-Murray, Austin, Cabrini-Green and Englewood.

These are among Chicago's most under-resourced neighborhoods, where violence is epidemic—a consequence of people not being in school, not working and not having "hope." For this reason, our 2016 By The Hand Club For Kids Annual Spring Benefit theme was Declaration of Hope. This declaration is not based on wishful thinking—but rather a confident expectation of what God has the power to make true.

Research shows that children tend to live up or down to the expectations that others set for them. With people like you forming a "Circle of Hope" around our kids, providing the encouragement and support they need, they are succeeding in school, earning college diplomas and entering rewarding careers—giving back to their communities and providing hope to others. They and their families are experiencing abundant life.

By The Hand literally and figuratively takes kids by the hand and walks alongside them—from the time they enroll all the way through college. We provide a safe place to learn during the most dangerous time of day—the after-school hours when most crimes by and against youth are committed. And we meet their most pressing needs to break down barriers to learning and to develop their God-given talents.

During the 2015-2016 school year, we served 67,616 hot, nutritious meals. We provided 695 eye exams and 764 dental appointments—including eyeglasses and extra dental work, when needed—and 96 kids received professional counseling for anger, trauma and grief. Working closely with parents and school principals, we also conducted 3,381 home visits and 2,487 school visits.

By The Hand has always emphasized academic excellence, recognizing that literacy is critical to succeeding in school—and life. Children who can't read at grade level by the time they are 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 communities we serve. Worse yet, eight out of 10 prison inmates are high school dropouts, according to the National Dropout Prevention Center.

For these reasons, we continued our technology-enabled, blended learning program at all of our sites. As a result of the personalized instruction that they receive, our kids' reading comprehension and language skills are improving at a faster pace than normal, and the results are encouraging.

Our kids earned their best overall GPA (2.83), with two of our clubs having an average GPA of over 3.0. A record number passed all of their classes (84 percent) and earned all ABCs (62 percent). Moreover, 45 percent made the honor roll, and 100 percent of our high school seniors graduated.

Of these seniors, 100 percent have enrolled or are in the process of enrolling at a college, university or technical school. In contrast, only 42 percent of Chicago Public School graduates enroll in college, with only 34 percent for African-American males.

Sadly, 47 percent of Chicago's 20- to 24-year-old black males are out of work as well as school—the highest rate of any American city, according to a University of Illinois report.

To accelerate impact while generating revenue for sustainability, By The Hand leased its new 50,000-square-foot Austin facility to Moving Everest Charter School, which opened in Austin on August 22, 2015. In partnership but as separate 501(c)(3) entities, the school-plus-after-school model provides a way for kids to learn in a rigorous, safe learning environment during the day and at a By The Hand Club during the after-school hours.

At this new location, 180 kids were served during the past academic year—90 kindergarten and 90 first-grade students. They started with reading skills a year below their grade, yet they finished the school year at or above grade level, progressing 50 percent faster than they would have if they could only attend By The Hand after school.

Compared to schools nationwide, By The Hand – Moving Everest (ME) kids finished in the top quartile for reading and the top five percent for math on NWEA MAP tests. Also noteworthy is the fact that 89 percent of Moving Everest parents enrolled their students in By The Hand, and only two opted out of religious training.

Fiscally, By The Hand has continued to keep overhead expenses low relative to programming activities while realizing double-digit revenue growth. As a result, By The Hand finished in the black for the sixteenth consecutive year, with a fully funded operating budget of approximately \$7 million. This also allowed us to support our greatest growth year ever in the number of kids served. Praise God!

Moreover, while we have raised considerable capital for the 50,000-square-foot By The Hand Club – ME facility, we received a substantial gift in early fiscal 2017 to reduce the remaining debt to a level that is serviceable by rent income from Moving Everest Charter School.

Looking ahead, we are serving 1,270 kids during the 2016-2017 school year and hope to open another By The Hand – ME location in 2019.

This coming year will also be the first time all four By The Hand sites extend programming days to four days a week, and By The Hand – ME to five days. Our kids will have another day in the week when they can receive a warm meal, learn about Jesus, and benefit from personalized instruction and help with homework—all in a safe place.

All of these achievements and plans are only possible with God's blessing and the support of people like you. We are not endowed, and government meal reimbursement accounts for only three percent of our revenue. We can only serve as many kids as allowed through the generosity of others.

We appreciate your standing with us in our Circle of Hope—and for giving our kids the opportunity to experience abundant life. You are in essence saying to them, "I believe in you and believe that God wants to do great things in and through you." Thank you.

Sincerely,



Donnita Travis
Founder and Executive Director



A Declaration of Hope

Recognizing the importance of hope to living an abundant life, this year's theme and learning project was "Declaration of Hope." During this project, our kids were challenged to understand what hope is, what it is not, and what their source of hope is.

After weeks of learning and reflecting on "Who God is," "Who God says I am," "Who others say I am" and "How I live out hope," the kids wrote a personal statement—a Declaration of Hope. They also developed a portfolio of artifacts representing what the kids learned about hope and what it meant to them.

The Hope of Faster Progress

With the goal of serving nearly 2,000 kids in critical need of intervention by 2018—we opened a fifth By The Hand location in our new 50,000-square-foot Austin facility last fall. Simultaneously, we leased the same building to Moving Everest Charter School, which opened August 22, 2015, with 90 kindergarten students and 90 first-graders. This fall, we've added another 90 students as our kids move up a grade.

As separate entities, the school-plus-after-school model enables us to have an even greater impact on children while reducing our cost per child. Our kids in Austin can now benefit from a safe place to learn through the day as well as after-school hours. At Moving Everest Charter School, they receive personalized instruction and support throughout the school hours. Then they receive holistic wraparound services at By The Hand during after-school hours, the most dangerous time of day for kids in one of the most dangerous cities in America.

Typically, kids referred to us from the Chicago Public Schools are in critical need of intervention, reading well below their grade levels, creating the need for them to catch up to their peers. With sites like By The Hand – ME, our elementary students will benefit from a full day of learning, allowing them to progress faster and get farther ahead.

Chakola
Joined By The Hand—ME in 2015

Chakola enrolled in By The Hand – ME as a first-grader. For months, she was so quiet and withdrawn that she would not go into her By The Hand class—or she'd sit in the corner and cry, too shy to say why she did not participate. However, every day By The Hand staff members would gently encourage her.

After a year of love and support at By The Hand, Chakola is not only participating but is helping her classmates. Moreover, she excelled in her academic intervention, read-a-loud and blended learning rotations, progressing from a mid-first to a beginning fourth-grade reading level.

This fall, Chakola stood up and recited all nine fruit of the Spirit—in front of everyone during this school year's parent orientation.

Eric

Joined By The Hand—Austin in 2013

In seventh grade, Eric was still reading at a third-grade level. As a result, his grades were sinking to Ds and Fs—a foreboding sign.

Fortunately, Eric received the support he needed through our technology-enabled reading program and direct instruction from our reading specialist, Ms. Margaret. At first, Eric was too embarrassed to read aloud, but with encouragement, he finally learned to decode multi-syllable words. That's when his reading comprehension began to level up—one grade level after another for an astounding five levels.

Now in the eighth grade, Eric is reading at grade level, as measured by the standardized tests given at Chicago Public Schools. Ask how it felt to earn all ABCs on his report card for the first time, and Eric will smile huge.

The Hope of Literacy

Because literacy is critical for academic success in school—and life—we offer personalized instruction with our technology-enabled, blended learning program for all of our first- to eighth-grade students. Children who can't read at grade level by the time they are in third grade are much more likely to drop out of high school because education shifts from learning to read to reading to learn in fourth grade. In eighth grade, standards for passing are even more stringent because students are expected to have

learned to decode fluently, read for literal comprehension and to think while reading.

By combining computerized assessment and reading instruction with personalized attention, our kids improved their reading level by 1.1 grades last year, with students like Eric improving as much as five levels during an academic year. As a result, our kids are earning better grades and higher GPAs.

The Hope of Leveling Up

Assess



Initial assessment

Each student is assessed at the beginning of the program and placed at an appropriate learning level. Three groups of kids then rotate between three stations, with each group spending 30 minutes at each station for a total of 90 minutes — three times a week.

Station 1



Self-paced technology station

Students work individually at their own pace on computers. Technology correlates real-time personalized data with Common Core State Standards to let By The Hand know how each child is doing—and whether any challenges need to be addressed. Kids are motivated by the ongoing feedback—and encouraged to set weekly goals and track their progress. Successes are celebrated.

Station 2



Homework assistance

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

Station 3



Read-aloud station

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

The Hope of a College Education

By The Hand seeks to help kids from Chicago's most under-resourced, high-risk neighborhoods experience abundant life. Where we serve, 35 percent of all residents and 48 percent of children live below the poverty level.

Only six percent of African-American freshmen in Chicago Public Schools go on to graduate from high school and college. In contrast, 51 percent of our high school students who enrolled in college or a technical school have either graduated from college or are still attending.

Encouraging a college-going mentality as early as middle school, By The Hand provides high school kids with the opportunity to visit college campuses and helps with preparing for ACT tests and completing applications for admissions, scholarships and financial aid.

Once kids realize that God loves them, they begin to believe that God has a hope and a future for their lives—one that includes an education. Encircled by caring adults and touched by the love of Jesus, the most unlikely kids make the most extraordinary strides. They not only become honor-roll high school graduates, but they also become career-minded college students.

Before By The Hand, Joshua was in trouble a lot. Ask him why and he'll tell you, "I hung out with the wrong people, had a bad attitude and was failing easy classes." But when Joshua joined By The Hand in fifth grade, he began to experience the power of human and divine love—and the hope of an education.

As a result, Joshua's attitude began to improve—and so did his grades. "I have been to every ABC party. And now I know that God is my Savior. If God had not shown me By The Hand, I would not be a freshman at Taylor University on a full scholarship."

Joshua

Joined By The Hand—Cabrin-Green
in 2009



When Vontesha joined By The Hand in eighth grade, she thought she'd never go to college—that college was just for smart people with money. But By The Hand Club started taking her to different campuses, teaching her about financial aid and coaching her through the admissions process. More importantly, By The Hand helped Vontesha believe that she was smart enough.

Vontesha became the first college graduate in her family last year, having earned a BA from Indiana State University in criminology/criminal justice, cum laude. She has been accepted to attend The John Marshall Law School and wants to become an attorney in the juvenile justice system. Ultimately, she wants to give back to others as others have given to her—to help kids like her 19-year-old brother experience the hope that she experienced.

Vontesha

Joined By The Hand—Cabrini-Green in 2005

A Circle of Hope

To instill a vision for the future and an expectation of success, we surround our kids with a Circle of Hope—comprised of caring adults and peers who express words of encouragement and acts of affirmation. It is a known fact that children tend to live up or down to the expectations that others set for them. As our kids benefit from their Circle of Hope, each child becomes a member of another child's Circle of Hope. In this way, hope is passed on from one child to another, from one generation to the next.

By the time our college graduates embark on their careers, they have come a long way from the time they enrolled in By The Hand as elementary students in critical need of intervention. Appreciative for the love they received—mind, body and soul—they express a desire to give back and help others. Some return to work at By The Hand while others enter careers in business, commercial art, education, ministry, social work, medicine or law. They are the next generation of community-minded leaders in the ongoing Circle of Hope.

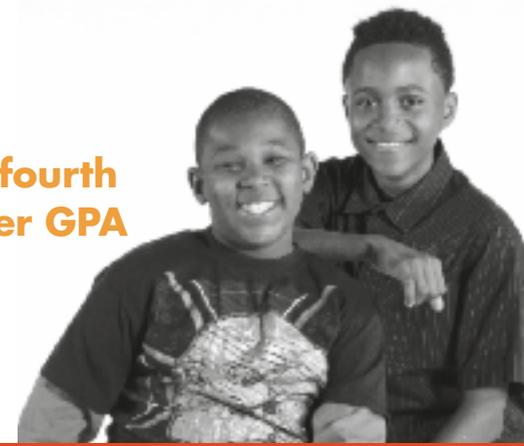
“Everything that is done in the world is done by hope.”

Martin Luther

**150,774 safe passages
to and from our clubs
on school buses**

**1,892 lunches
during our summer
learning program**

**2.83 fourth
quarter GPA**



**100% high school
graduation rate**

764 dental exams



**96 kids provided with
counseling for anger,
trauma and grief**

**84% of kids had
all passing grades**

**100%
college/technical school
enrollment rate**

695 eye exams



**3,381 home visits
and 2,487 school
visits to check in with
families and teachers**

**62% of kids
with all ABCs**

**42 college, university
or certified technical school
students/graduates**

**67,616 hungry stomachs
fed a warm, healthy
meal during the school year**

**75,387 student
days in chapel
and Bible study**



**45% of kids
making honor roll**

**190 new professions
of faith, for a total
of 82% of our kids**



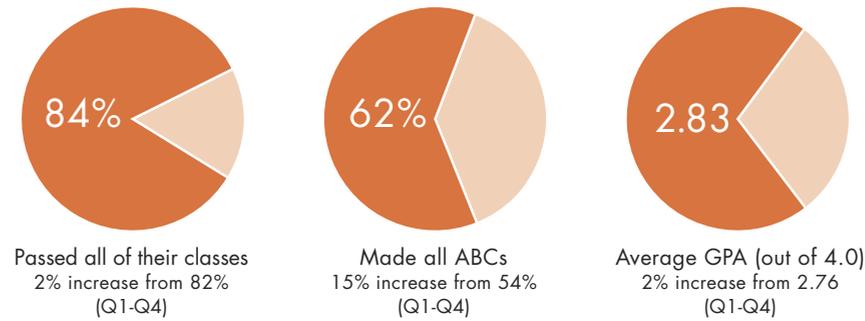
Setting measurable goals

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

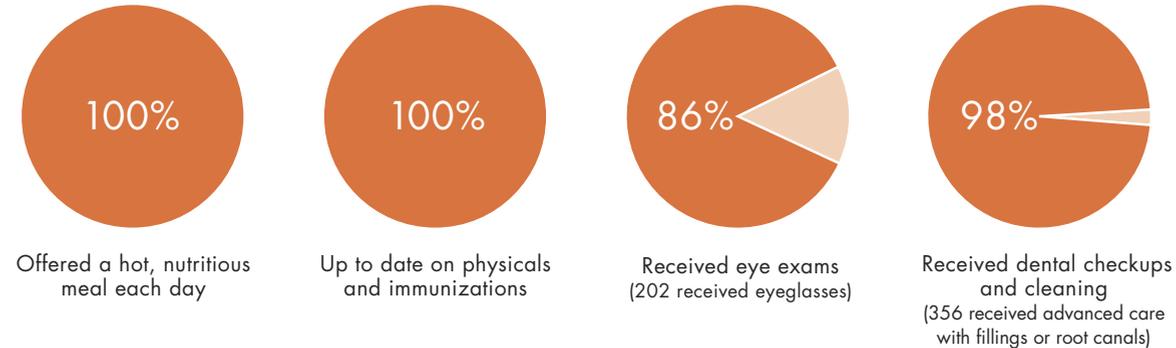
So we are pleased that our students achieved their highest overall GPA last year, with 45 percent of them making the honor roll. Of our high school seniors, 100 percent graduated and 100 percent enrolled or are in the process of enrolling in college. Moreover, 82 percent of our kids have professed faith in Jesus—the foundation for an abundant and eternal life.

Watching our kids grow in every way is a blessing and source of encouragement. We are grateful for your help in making all this possible.

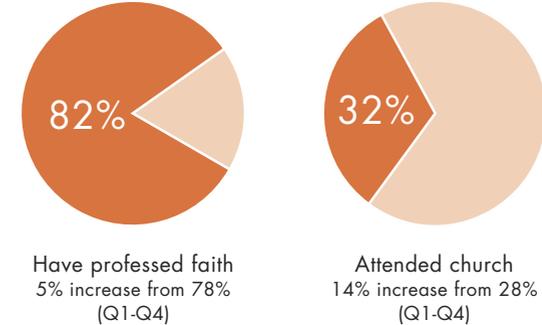
MIND



BODY



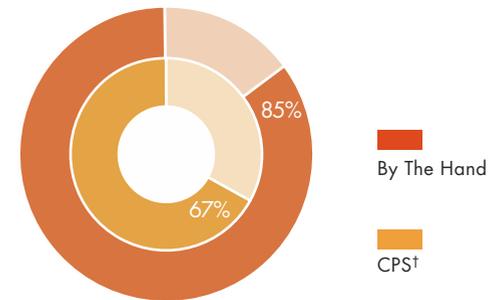
SOUL



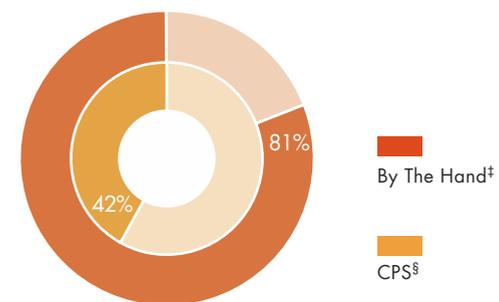
MATRICULATION RATES

Matriculation rates since By The Hand first had college students (2008* – 2016)

High school freshmen who graduated from high school

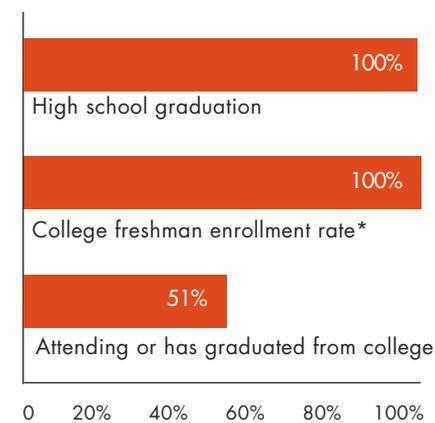


High school graduates who enrolled in college



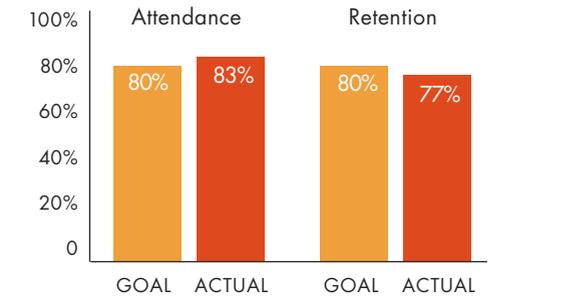
*First year By The Hand students matriculated to college
†CPS African-American students in 2016
‡Enrolled in degree college or certification technical schools
§42% overall; 34% for African-American males

BTH MATRICULATION RATES



*2016 high school graduates who enrolled or are in the process of enrolling in a college, university or certified technical school

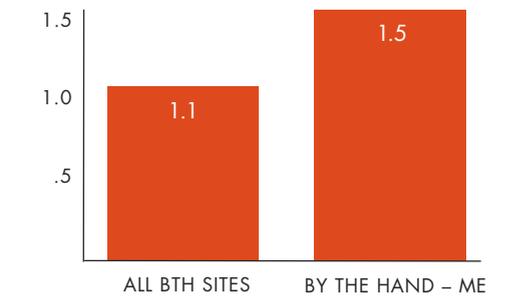
CLUB ATTENDANCE AND RETENTION FROM Q1 TO Q4



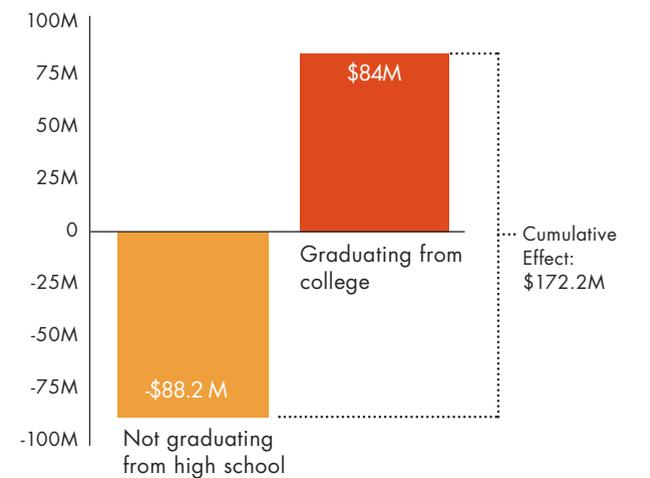
Reasons for disenrollment: Low attendance, 31%; moved, 27%; behavior, 23%; all other reasons, 19%

TECHNOLOGY-ENABLED, BLENDED LEARNING PROGRAM

Grade levels gained (2015-2016)



ECONOMIC IMPACT OF 42 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 percent 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.

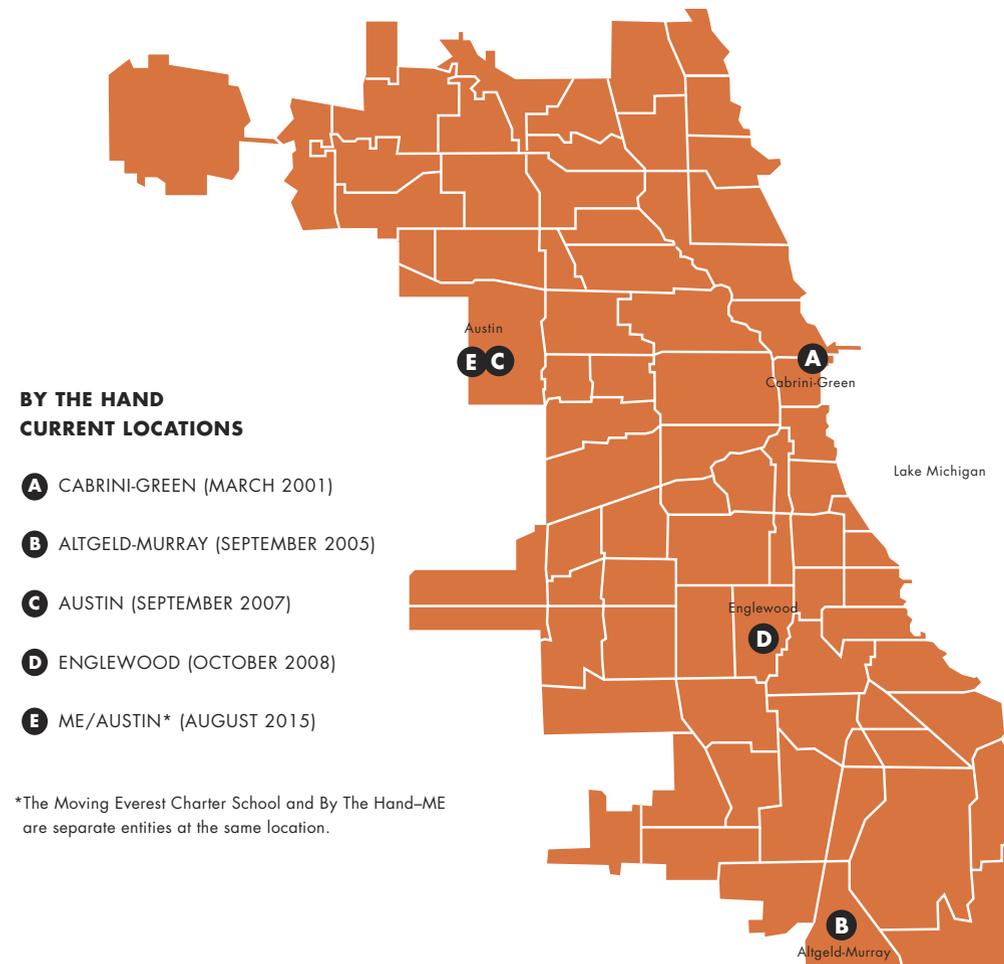
Serving where the need is greatest

Having begun in 2001 with 16 kids from Cabrini-Green, we served 1,180 this past year. By The Hand has grown from one to five locations, each strategically located in Chicago's most under-resourced, lowest-academic-performing neighborhoods.

By The Hand at Altgeld-Murray, Austin, Cabrini-Green, Englewood are operating at capacity, serving students in grades one through twelve. Last year, our site at By The Hand – ME opened with 180 kindergarten and first-grade students.

This fall, as we enroll an additional 90 students at By The Hand – ME, we will be serving 1,270 kids—mind, body and soul.

God willing, we hope to open three more charter school plus after-school locations, with the next one opening as soon as 2019. With your prayers and generosity, we will have a total of eight locations, which will allow us to extend hope to 4,240 kids who are in critical need of attention. Thank you for being a part of our Circle of Hope.



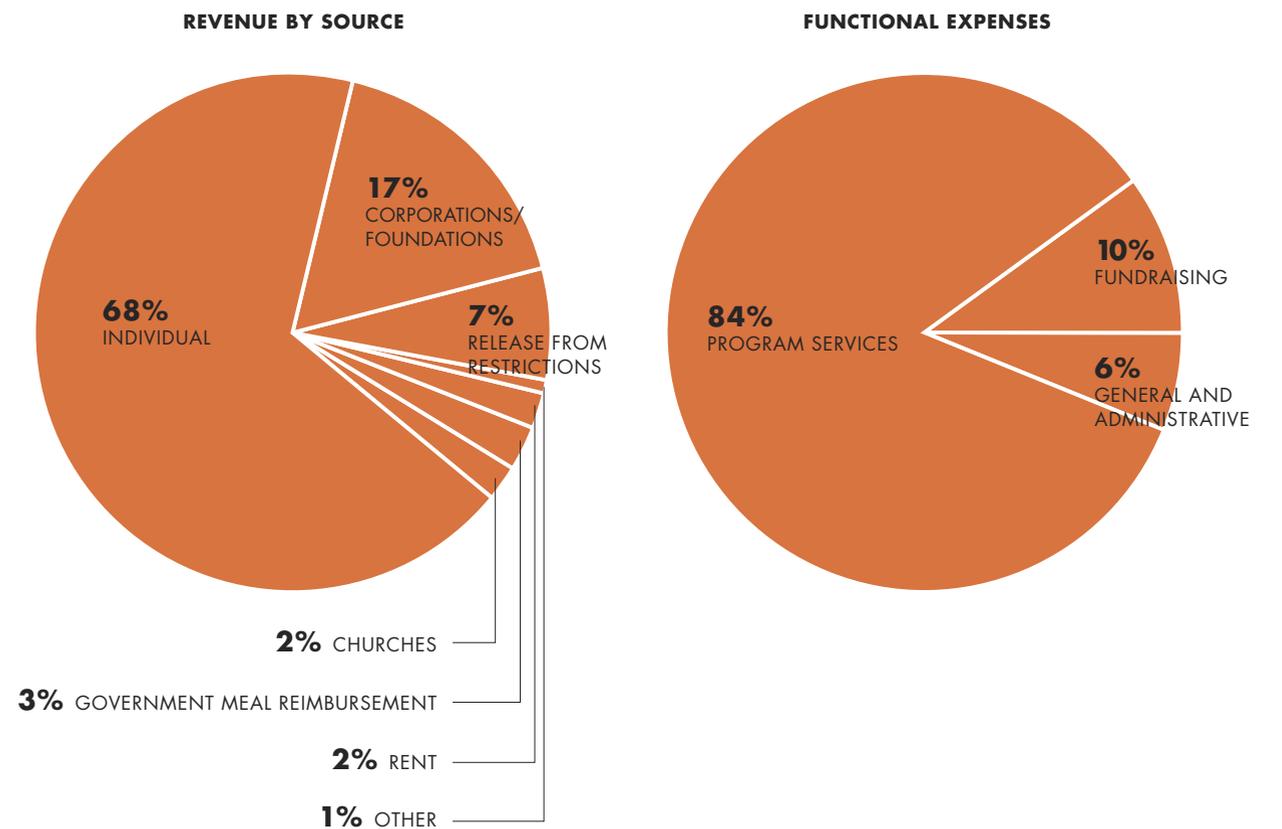
2015-2016—Our strongest year financially

Praise God! Last year By The Hand realized double-digit revenue growth. At the same time, we continued to keep administration, fund development and other overhead expenses low relative to programming. Through these measures, we finished in the black for the sixteenth consecutive year with a fully funded operating budget of approximately \$7 million. We are grateful for the many people who helped support our greatest growth year ever in the number of kids served.

In the near future, we plan to reduce the remaining mortgage on our 50,000-square-foot Austin facility to the point where it will be serviceable by rent received from the Moving Everest Charter School. In that regard, we are pleased to announce that we received a substantial gift in early fiscal 2017 to help us reach this goal.

As an independent 501(c)(3) nonprofit organization, we are always mindful that 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. Thank you!

SEPTEMBER 2015 - AUGUST 2016 ALLOCATIONS



Statements of Activities Years ended August 31, 2016 and 2015

	2016	2015
Changes in unrestricted activities:		
Revenue and support:		
Contributions	\$ 3,840,790	\$ 3,222,746
Donated goods and services	100,000	105,900
Special events, net of direct costs of \$232,256 in 2016 and \$206,229 in 2015	2,094,707	1,997,023
Government grants	197,462	194,295
Other	167,343	16,837
Net assets released from restrictions:		
Satisfaction of time and purpose restrictions	528,465	260,854
Total revenue and support	6,928,767	5,797,655
Expenses:		
Program services	5,772,734	4,529,081
General and administrative	436,045	542,031
Fundraising	675,939	607,823
Total expenses	6,884,718	5,678,935
Change in unrestricted net assets	44,049	118,720
Changes in temporarily restricted activities:		
Contributions	2,340,033	3,509,962
Net assets released from restrictions:		
Satisfaction of time and purpose restrictions	(528,465)	(260,854)
Change in temporarily restricted net assets	1,811,568	3,249,108
Change in net assets	1,855,617	3,367,828
Net assets at beginning of year	13,153,774	9,785,946
Net assets at end of year	\$ 15,009,391	\$ 13,153,774

See accompanying notes to financial statements.

Statements of Financial Position August 31, 2016 and 2015

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	\$ 4,103,614	\$ 2,096,402
Prepaid expenses and other	83,560	241,000
Total current assets	4,187,174	2,337,402
Property and equipment, net	18,376,417	18,419,855
Total assets	\$ 22,563,591	\$ 20,757,257
LIABILITIES AND NET ASSETS		
Current liabilities:		
Construction payable and retainage	\$ —	\$ 2,703,787
Accounts payable	78,958	131,871
Accrued payroll expenses	83,211	51,795
Deferred income	39,250	22,500
Line of credit	951,160	951,160
Note payable, current portion	207,433	—
Total current liabilities	1,360,012	3,861,113
Construction loan	—	3,742,370
Note payable	6,194,188	—
Total liabilities	7,554,200	7,603,483
Net assets:		
Unrestricted	2,340,199	2,296,150
Temporarily restricted	12,669,192	10,857,624
Total net assets	15,009,391	13,153,774
Total liabilities and net assets	\$ 22,563,591	\$ 20,757,257

See accompanying notes to financial statements.

Statements of Cash Flows Years ended August 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 1,855,617	\$ 3,367,828
Adjustments to reconcile change in net assets to net cash provided by operating activities—		
Depreciation	511,679	196,757
Contributions restricted for long-term investment	(2,270,000)	(3,433,000)
In-kind contributions	—	(10,500)
Changes in operating assets and liabilities:		
Prepaid expenses and other	157,440	190,471
Accounts payable	(52,913)	122,270
Accrued payroll expenses	31,416	12,300
Deferred income	16,750	22,500
Net cash provided by operating activities	249,989	468,626
Cash flows used in investing activities:		
Cash paid for property and equipment	(468,241)	(7,689,102)
Net cash used in investing activities	(468,241)	(7,689,102)
Cash flows provided by financing activities:		
Proceeds from contributions restricted for long-term investment	2,270,000	3,433,000
Payments on construction retainage	(2,703,787)	—
Payments on note payable	(98,379)	—
Proceeds from line of credit	—	46,160
Proceeds from construction loan	2,757,630	3,742,370
Net cash provided by financing activities	2,225,464	7,221,530
Net increase in cash and cash equivalents	2,007,212	1,054
Cash and cash equivalents at beginning of year	2,096,402	2,095,348
Cash and cash equivalents at end of year	\$ 4,103,614	\$ 2,096,402
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 314,820	\$ 30,496

See accompanying notes to financial statements.

Statement of Functional Expenses Year ended August 31, 2016 (with comparative amounts for 2015)

	SUPPORTING SERVICES			TOTAL 2016	TOTAL 2015
	PROGRAM SERVICES	GENERAL & ADMINISTRATIVE	FUNDRAISING		
Compensation, benefits and taxes					
Salaries and wages	\$ 2,634,397	\$ 176,682	\$ 350,071	\$ 3,161,150	\$ 2,577,835
Benefits	240,829	4,100	37,688	282,617	404,626
Payroll taxes	189,799	10,489	23,073	223,361	185,716
Total salaries and wages, benefits and payroll taxes	3,065,025	191,271	410,832	3,667,128	3,168,177
Insurance	85,489	—	—	85,489	37,065
Printing	9,591	1,061	21,421	32,073	31,725
Telephone	52,921	1,560	3,949	58,430	54,686
Supplies	14,208	2,010	1,365	17,583	11,766
Building repair and maintenance	284,229	—	1,128	285,357	193,999
Utilities	183,768	—	—	183,768	94,854
Training	28,451	207	223	28,881	5,762
Transportation	458,830	120	3,921	462,871	368,373
Non-capital equipment	49,431	—	8,163	57,594	226,037
Rent	56,900	—	—	56,900	48,950
Meals - students	242,207	—	—	242,207	231,795
Meals - staff	1,576	3,439	—	5,015	3,162
Curriculum	3,348	—	—	3,348	8,137
Benevolence	57,491	—	162	57,653	57,556
Academic evaluation	33,106	—	—	33,106	27,165
Children's and other special events	57,658	155	—	57,813	112,141
Publicity	806	3,066	20,449	24,321	63,132
Memberships	—	—	3,399	3,399	3,714
Postage	508	3,684	4,345	8,537	11,125
Legal fees	1,620	32,828	3,643	38,091	10,684
Professional fees	154,440	142,296	185,766	482,502	476,350
Bank charges	39	23,439	—	23,478	21,905
Volunteer support	11,869	161	—	12,030	28,932
Travel	20,102	10,494	935	31,531	6,324
College scholarships	27,681	—	—	27,681	28,951
School and college resources	20,140	—	—	20,140	11,618
Other	24,801	20,254	6,238	51,293	107,597
Interest	314,820	—	—	314,820	30,496
Depreciation	511,679	—	—	511,679	196,757
Total expenses	\$ 5,772,734	\$ 436,045	\$ 675,939	\$ 6,884,718	\$ 5,678,935

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, 2016 and 2015, 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, 2016 and 2015, 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 31, 2016

Notes to Financial Statements: August 31, 2016 and 2015

(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 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 \$259,239 as of August 31, 2016 and 2015, 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, two to six years for vehicles, and three 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 or where the leases can be cancelled by the lessee or lessor at any time, are expensed as incurred and 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 income 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, 2016 and 2015, 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 2015 financial statements have been reclassified to conform to the 2016 presentation.

(3) PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2016 and 2015 consisted of the following:

	2016	2015
Building and building improvements	\$ 17,573,434	\$ 6,608,954
Land	1,394,050	1,394,050
Vehicles	87,701	87,701
Furniture and equipment	458,997	74,622
Construction in progress	—	10,880,612
	19,514,182	19,045,939
Less accumulated depreciation	(1,137,765)	(626,084)
Property and equipment, net	\$ 18,376,417	\$ 18,419,855

Depreciation expense was recorded in the amount of \$511,679 and \$196,757 for the years ended August 31, 2016 and 2015, respectively.

During the year ended August 31, 2015, By The Hand began construction of a new facility in the Austin community. Construction in progress related to the new facility as of August 31, 2015 was \$10,880,612, and the building was capitalized during the year ended August 31, 2016 at a total cost of \$10,964,481. The facility is being used by a new charter school, Moving Everest, which is leasing 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 provides wrap-around holistic services after school, including tutoring, social activities and spiritual guidance.

(4) LINE OF CREDIT

By The Hand maintains a \$1,005,000 secured line of credit expiring April 2018. At August 31, 2016 and 2015, \$951,160 had been drawn and was outstanding on the line of credit. 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, 2016 and 2015, the interest rate on the line was 3.50% and 3.25%, respectively. Interest paid on the line of credit during the years ended August 31, 2016 and 2015 was \$33,000 and \$30,496, respectively.

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

(5) CONSTRUCTION LOAN

By The Hand signed a promissory note with a financial institution on March 5, 2015 that allowed for borrowings of up to \$6,500,000. Interest on the promissory note varied with an independent index, the Wall Street Journal Prime Rate, and was payable monthly. As of August 31, 2015, the interest rate was 4.0%.

The note was secured by a Mortgage, Assignment of Rents and Commercial Security Agreement to the lender on real property commonly known as 416 North Laramie Avenue, Chicago, Illinois and 415 North Laramie Avenue, Chicago, Illinois.

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. Interest paid on the promissory note during the year ended August 31, 2016 was \$128,431. During fiscal year 2016, there were additional borrowings of \$2,757,630 on the promissory note through February 23, 2016, at which time principal balance was converted to a

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at August 31, 2016:

	AUGUST 31, 2015	CONTRIBUTIONS	NET ASSETS RELEASED FROM RESTRICTIONS	CHANGE IN DONOR RESTRICTIONS	AUGUST 31, 2016
College scholarships	\$ 33,034	\$ 29,915	\$ (27,680)	\$ —	\$ 35,269
Special projects	9,635	—	(9,635)	—	—
Capital campaign	5,485,110	—	(180,428)	—	5,304,682
Capital campaign – AU K-5	4,913,000	2,270,000	(212,415)	250,000	7,220,584
Capital campaign – Altgeld	250,000	—	—	(250,000)	—
Lend to the Lord Fund	16,845	40,118	(48,307)	—	8,656
Evan's Life Fund	150,000	—	(50,000)	—	100,000
	\$ 10,857,624	\$ 2,340,033	\$ (528,465)	\$ —	\$ 12,669,192

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

	AUGUST 31, 2014	CONTRIBUTIONS	NET ASSETS RELEASED FROM RESTRICTIONS	CHANGE IN DONOR 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
	\$ 4,991,645	\$ 3,509,962	\$ (260,854)	\$ —	\$ 10,857,624

five year mortgage with a twenty year amortization and a fixed interest rate, as discussed in Note 6.

(6) NOTE PAYABLE

In order to refinance the construction promissory note discussed above prior to its expiration on March 4, 2016, By The Hand signed a note payable in February 2016 for \$6,500,000 with a financial institution. The note payable expires February 2021 and bears interest at a fixed rate of 4.75%. Principal and interest payments are payable monthly.

Principal payments are due under the note payable as follows:

YEARS ENDED AUGUST 31:		
2017	\$	207,433
2018		217,503
2019		228,062
2020		239,134
2021		5,509,489
Total		6,401,621
Less current portion		(207,433)
Note payable, excluding current portion	\$	6,194,188

Interest expense incurred under the note payable for the year ended August 31, 2016 was \$153,389.

The note is secured to the lender by a Mortgage and Assignment of Rents on real property commonly known as 416 North Laramie Avenue, Chicago, Illinois, and a Commercial Security Agreement and a Mortgage and Assignment of Rents to the lender on real property commonly known as 415 North Laramie Avenue, Chicago, Illinois, and a Commercial Security Agreement, all for collateral granted by By The Hand Club for Kids.

(8) CONCENTRATIONS

During the years ended August 31, 2016 and 2015, 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 2016, By The Hand received 42% of total contributions from five donors. During fiscal year 2015, By The Hand received 49% of total contributions from five donors. Contributions include both unrestricted contributions which are used for operations, and temporarily restricted contributions (note 7), a significant amount of which were received in conjunction with the capital campaign.

(9) RELATED PARTY ACTIVITY

During the years ended August 31, 2016 and 2015, By The Hand contracted with a human resources consulting firm, whose president was a board member of By The Hand. The amount paid to the firm during the years ended August 31, 2016 and 2015 was \$25,925 and \$93,144, respectively.

Prior to fiscal year 2016, By The Hand outsourced certain accounting, human resources, payroll and information technology services to The Moody Church's Department of Finance and Administration. Effective September 1, 2015, these services were outsourced to an unrelated party or were assumed internally, excluding certain accounting functions which transitioned November 1, 2015. By The Hand incurred and paid The Moody Church \$30,000 and \$180,000 for outsourced services during the years ended August 31, 2016 and 2015, respectively.

During the years ended August 31, 2016 and 2015, The Moody Church made contributions from its general operating fund of \$100,000 and \$95,400, 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, 2016 and 2015, The Moody Church received gifts designated for By The Hand of approximately \$21,548 and \$33,988, respectively, and in turn remitted these amounts in full to By The Hand.

Chicago Education Partnership established 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 deliver a synergistic program that meets students' academic, social and emotional needs. The Executive Director of By The Hand is a member of the Board of Directors of Chicago Education Partnership, a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

During fiscal 2014, By The Hand established a line of credit with Chicago Education Partnership to assist the organization with start-up costs until funding was obtained by the organization to repay such loans. The line of credit allowed for borrowings of up to \$150,000, bore an interest rate of prime plus 0.25%, and expired January 2016. The loan was paid in full during fiscal year 2015. In addition, as discussed in Note 10, By The Hand

entered into an operating lease agreement with Chicago Education Partnership for a building owned by By The Hand.

(10) OPERATING 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 owed by By The Hand, as discussed in Note 9. 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:		
2017	\$	208,125
2018		275,625
2019		343,125
2020		371,250
	\$	1,198,125

Rental income under the above lease for the year ended August 31, 2016 totaled \$144,175.

During the year ended August 31, 2016, By The Hand entered into operating lease agreements with two not-for-profit organizations for use of certain classroom, conference room and common area spaces at By The Hand facilities. Rental income under these leases for the year ended August 31, 2016 totaled \$23,000. Future minimum rentals due under the terms of these leases are \$43,000 for the year ended August 31, 2017.

(11) 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 \$56,900 and \$48,950 for the years ended August 31, 2016 and 2015, respectively.

Future minimum base rental payments required under the above operating leases are \$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, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended August 31, 2016. Management has performed their analysis through October 31, 2016, 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
Senior Strategic Account Manager at Salesforce
- David Donaldson
Director, Chicago Metro Complex, Merrill Lynch
- James Fellowes
Chairman, Fellowes, Inc.
- Nancy Hanson
Teacher (Retired)
- Peggy Lim
Teacher (Former)
- Brian Musso
Managing Partner, Promus Capital
- Roy Patterson
Special Asst. to the President for Community
Relations, Moody Bible Institute

By The Hand Leadership Staff

- Bethany Arvan
Director of Compassion and Crisis
- Bernadette Ballenger
Director of By The Hand – Austin
- Rebecca Bogner
Director of Club For Big Kids (CBK) and
Club For College Kids (CCK)
- Rachel Gallardo
Managing Director of Program Innovation
and Professional Development
- Steven Glover
Director of By The Hand – Cabrini-Green
- Nancy Good
Director of Fund Development
- Michele Hoekstra
Senior Director of Learning
- Julie Heth
Director of Human Resources and
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
Program Manager for Club For Big Kids (CBK)
and Club For College Kids (CCK)
- Miguel Rodriguez
Director of Facilities
- Susannah Schwarcz-Yount
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

For more information or to schedule a visit:

Contact Donnita Travis at 312.305.2622
or donnita.travis@bythehand.org
Visit www.bythehand.org

Contributors

Design: Design360° Incorporated
Photography: Ingram Photography
Copywriting: Maurer Media/
WordSlingers For Hire



By The Hand—Cabrini-Green

1000 N. Sedgwick Street
Chicago, IL 60610

By The Hand—Altgeld-Murray

13015 S. Ellis Avenue
Chicago, IL 60827

By The Hand—Austin

415 N. Laramie Avenue
Chicago, IL 60644

By The Hand—Englewood

8301 S. Damen Avenue
Chicago, IL 60620

By The Hand—Moving Everest/Austin

416 N. Laramie Avenue
Chicago, IL 60644

www.bythehand.org

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

