

STAND FOR CHILDREN, INC.

Audited Financial Statements

For the Year Ended August 31, 2017



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stand for Children, Inc.

We have audited the accompanying financial statements of Stand for Children, Inc. (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

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

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

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 Stand for Children, Inc. as of August 31, 2017, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Stand for Children, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
December 20, 2017

STAND FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2017
(With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents:		
General operating	\$ 5,072,877	\$ 6,164,061
Political committee accounts	3,671,439	4,719,716
Pledges receivable	-	15,000
Prepaid expenses and deposits	22,936	22,552
 TOTAL ASSETS	 \$ 8,767,252	 \$ 10,921,329
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 259,063	\$ 399,541
Due to Stand for Children Leadership Center	74,109	295,584
Total liabilities	333,172	695,125
 Net assets:		
Unrestricted:		
Undesignated	5,410,599	6,980,237
Board designated operating reserve	866,813	631,142
Total unrestricted	6,277,412	7,611,379
Temporarily restricted	2,156,668	2,614,825
Total net assets	8,434,080	10,226,204
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,767,252	 \$ 10,921,329

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2017
(With comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Grants and contributions	\$ 7,908,089	\$ 2,039,625	\$ 9,947,714	\$ 12,089,519
Other income	1,718		1,718	8,325
Net assets released from purpose restrictions	<u>2,497,782</u>	<u>(2,497,782)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,407,589</u>	<u>(458,157)</u>	<u>9,949,432</u>	<u>12,097,844</u>
Expenses:				
Program	11,064,665	-	11,064,665	9,000,021
Management and general	596,457	-	596,457	613,355
Fundraising	<u>80,434</u>	<u>-</u>	<u>80,434</u>	<u>115,278</u>
Total expenses	<u>11,741,556</u>	<u>-</u>	<u>11,741,556</u>	<u>9,728,654</u>
 Change in net assets	 (1,333,967)	 (458,157)	 (1,792,124)	 2,369,190
Net assets:				
Beginning of year	<u>7,611,379</u>	<u>2,614,825</u>	<u>10,226,204</u>	<u>7,857,014</u>
 End of year	 <u>\$ 6,277,412</u>	 <u>\$ 2,156,668</u>	 <u>\$ 8,434,080</u>	 <u>\$ 10,226,204</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2017
(With comparative totals for 2016)

	2017			2016 Total	
	Program	Management and General	Fundraising		Total
Salaries, payroll taxes and benefits	\$ 1,366,961	\$ 354,833	\$ 55,548	\$ 1,777,342	\$ 2,097,469
Consultants and professional services	4,109,233	58,239	19,617	4,187,089	2,804,031
Other services	4,788,187	5,828	405	4,794,420	4,081,621
Travel	95,875	4,686	913	101,474	100,487
Supplies and postage	409,530	1,037	369	410,936	195,681
Telephone and technology	119,545	-	-	119,545	128,332
Occupancy, equipment and insurance	12,747	7,196	-	19,943	21,970
Cost-sharing and other	<u>162,587</u>	<u>164,638</u>	<u>3,582</u>	<u>330,807</u>	<u>299,063</u>
Total expenses	<u>\$ 11,064,665</u>	<u>\$ 596,457</u>	<u>\$ 80,434</u>	<u>\$ 11,741,556</u>	<u>\$ 9,728,654</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the year ended August 31, 2017
(With comparative totals for 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from grantors, donors and others	\$ 9,964,432	\$12,245,344
Cash paid to suppliers, employees and others	<u>(12,103,893)</u>	<u>(9,279,473)</u>
Net cash provided by (used in) operating activities	<u>(2,139,461)</u>	<u>2,965,871</u>
Net increase (decrease) in cash and cash equivalents	(2,139,461)	2,965,871
Cash and cash equivalents - beginning of year	<u>10,883,777</u>	<u>7,917,906</u>
Cash and cash equivalents - end of year	<u><u>\$ 8,744,316</u></u>	<u><u>\$ 10,883,777</u></u>
Cash and cash equivalents:		
General operating	\$ 5,072,877	\$ 6,164,061
Political committee accounts	<u>3,671,439</u>	<u>4,719,716</u>
Total cash and cash equivalents	<u><u>\$ 8,744,316</u></u>	<u><u>\$ 10,883,777</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (1,792,124)	\$ 2,369,190
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Pledges receivable	15,000	147,500
Other assets	(384)	(10,591)
Increase (decrease) in:		
Accounts payable and accrued expenses	(140,478)	268,516
Due to Stand for Children Leadership Center	<u>(221,475)</u>	<u>191,256</u>
Net cash provided by (used in) operating activities	<u><u>\$ (2,139,461)</u></u>	<u><u>\$ 2,965,871</u></u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

1. DESCRIPTION OF ORGANIZATION

On June 1, 1996, more than 300,000 people gathered in Washington, D.C. to attend the first Stand for Children Day, the largest rally for children in American history. Stand for Children, Inc. (the Organization), a private nonprofit organization incorporated in the District of Columbia in January 1999 under section 501(c)(4) of IRS tax code grew from this event. Stand for Children, Inc. (the Organization) is a grassroots membership organization that advocates for programs that give children a fair chance in life. Its mission is to use the power of grassroots action to help all children get the excellent public education and strong support they need to thrive. Prior to establishing the Organization, Stand for Children Leadership Center, a private nonprofit organization that teaches everyday citizens to be community leaders on children's issues, was formed in January 1996. Governing control of these related organizations is now independent, and operating agreements define their administrative and operational relationship. These financial statements present the accounts of Stand for Children, Inc. The Organization's primary sources of funding are from contributions.

The Organization is building a diverse grassroots constituency that is strong and effective enough to give all children a fair chance in life. Its achievements for children are the result of enabling parents, teachers and other concerned community members to unite into a powerful voice for children and take collective action in support of concrete, systematic solutions for children.

Stand for Children, Inc. benefits children by utilizing the democratic process to make changes to the education system that result in better outcomes for children. The Organization focuses its efforts in strategically selected states. During 2017, the Organization had activity and staff in Arizona, Colorado, Illinois, Indiana, Louisiana, Massachusetts, Oklahoma, Oregon, Tennessee, Texas and Washington.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash contributed to the political committees is required to be held in separate accounts. Balances in the separate political committee accounts totaled \$3,671,439 and \$4,719,716 at August 31, 2017 and 2016, respectively, as reported on the statement of financial position.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the collection history with those having outstanding balances and current relationships with the donors, management has concluded that any uncollectible pledges will be immaterial. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount, if applicable, on those amounts are computed using estimated market interest rates. Amortization of the discount is included in contribution support.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization regularly receives contributed services from a large number of volunteers who assist in the Organization's efforts and activities. No amounts have been recorded in the financial statements as the services do not meet the criteria.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization expenses advertising costs as these are incurred. Advertising expense totaled approximately \$9,300 and \$11,500, respectively, for the years ended August 31, 2017 and 2016.

Income Tax Status

Stand for Children, Inc. is a nonprofit corporation exempt from income tax under section 501(c)(4) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through December 20, 2017, the date the financial statements were available to be issued.

Summarized Financial Information for 2016

The financial information as of August 31, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2017

3. PLEDGES RECEIVABLE

Pledges receivable are unsecured and represent unconditional promises to give. As of August 31, 2017, there were no outstanding pledges. As of August 31, 2016, pledges receivable totaled \$15,000 and were expected to be collected within one year.

4. LINE OF CREDIT

The Organization has a \$200,000 line of credit with a financial institution. Interest payments are due monthly on the outstanding balance at a variable rate the greater of prime plus 1.5% or 5% (prime plus 1.5% was 5.75% as of August 31, 2017 and 5.00% as of August 31, 2016). The line of credit is secured by all receivables and deposit accounts of the Organization. The line matures April 2018. There were no outstanding advances on the line at August 31, 2017 and 2016.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Political committee accounts	\$ 2,021,078	\$ 2,501,261
Other restrictions	<u>135,590</u>	<u>113,564</u>
Total temporarily restricted net assets	<u>\$ 2,156,668</u>	<u>\$ 2,614,825</u>

6. TRANSACTIONS WITH AFFILIATED ORGANIZATION

Under a resource sharing agreement between the Organization and Stand for Children Leadership Center (the Center), the Organization reimburses the Center for its share of general and administrative costs on the basis of the proportion of staff hours spent on Organization activities.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2017

6. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

During the years ended August 31, 2017 and 2016, general and administrative cost-share charges incurred by the Organization under this agreement consisted of the following:

	2017	2016
Consultants, accounting and legal	\$ 10,596	\$ 7,430
Other program services	31,696	-
Recruitment and staff development	17,878	36,471
Occupancy, equipment and insurance	69,906	109,492
Printing, supplies and postage	8,946	13,712
Telephone, web hosting and information technology	162,498	96,791
Other	1,632	9,421
	<u>\$ 303,152</u>	<u>\$ 273,317</u>

In addition, the Organization reimburses the Center for direct costs (primarily personnel costs) advanced. Total costs incurred under direct cost reimbursement arrangements with the Center approximated \$1,961,900 and \$2,312,900 for the years ended August 31, 2017 and 2016, respectively.

Under a lobbying grant agreement between the Organization and the Center, the Organization received funds from the Center in support of direct and grassroots lobbying conducted by Stand for Children, Inc. on issues of mutual concern to both organizations. No amounts were received from the Center for lobbying activities pursuant to this agreement during the year ended August 31, 2017. Amounts received under the agreement during the year ended August 31, 2016 totaled approximately \$20,600.

Advances and other amounts due to the Center approximated \$74,100 and \$295,600, respectively, as of August 31, 2017 and 2016, under the operating agreements described above.

7. RETIREMENT PLAN

The Organization participates in a 401(k) retirement plan maintained by Stand for Children Leadership Center. The plan includes salary deferral arrangements for all eligible employees. Generally, all employees may participate in the plan, and those who have completed six months of service are eligible for the matching benefit. The Organization contributes 4% of employees' compensation to the plan annually. Retirement plan contributions for 2017 and 2016 approximated \$45,600 and \$56,700, respectively.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2017

8. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits totaled approximately \$7,007,000 and \$6,589,000 at August 31, 2017 and 2016, respectively.

The Organization's revenues are concentrated with 77% and 60% coming from three sources for the years ended August 31, 2017 and 2016, respectively.

9. COMMITMENTS

Under contracts with various agencies for professional services, the Organization has committed to reimburse expense up to contracted maximum amounts. Approximate amounts committed but not yet recorded as of August 31, 2017 and 2016 were \$97,200 and \$249,200, respectively.