

STAND FOR CHILDREN, INC.

Audited Financial Statements

For the Year Ended August 31, 2018



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, 2018, 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, 2018, and changes in its net assets and its cash flows for the year then ended in accordance 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
December 20, 2018

STAND FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents:		
General operating	\$ 3,667,274	\$ 5,072,877
Political committee accounts	3,171,774	3,671,439
Accounts receivables	189,462	-
Investments	2,611,135	-
Prepaid expenses and deposits	23,103	22,936
 TOTAL ASSETS	 \$ 9,662,748	 \$ 8,767,252
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 210,619	\$ 259,063
Due to Stand for Children Leadership Center	107,755	74,109
Total liabilities	318,374	333,172
Net assets:		
Unrestricted:		
Undesignated	6,678,753	5,410,599
Board designated operating reserve	415,000	866,813
Total unrestricted	7,093,753	6,277,412
Temporarily restricted	2,250,621	2,156,668
Total net assets	9,344,374	8,434,080
 TOTAL LIABILITIES AND NET ASSETS	 \$ 9,662,748	 \$ 8,767,252

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2018
(With comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Grants and contributions	\$ 4,677,293	\$ 907,033	\$ 5,584,326	\$ 9,947,714
Other income	25,183	-	25,183	1,718
Net assets released from purpose restrictions	813,080	(813,080)	-	-
Total support and revenue	5,515,556	93,953	5,609,509	9,949,432
Expenses:				
Program	4,079,883	-	4,079,883	11,064,665
Management and general	562,918	-	562,918	596,457
Fundraising	56,414	-	56,414	80,434
Total expenses	4,699,215	-	4,699,215	11,741,556
Change in net assets	816,341	93,953	910,294	(1,792,124)
Net assets:				
Beginning of year	6,277,412	2,156,668	8,434,080	10,226,204
End of year	\$ 7,093,753	\$ 2,250,621	\$ 9,344,374	\$ 8,434,080

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2018
(With comparative totals for 2017)

	2018				2017 Total
	Program	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 823,764	\$ 396,461	\$ 36,811	\$ 1,257,036	\$ 1,777,342
Consultants and professional services	759,964	44,476	-	804,440	4,187,089
Other services	2,247,209	5,914	15,060	2,268,183	4,794,420
Travel	45,344	4,369	1,581	51,294	101,474
Supplies and postage	28,101	1,273	22	29,396	410,936
Telephone and technology	118,083	39	-	118,122	119,545
Occupancy, equipment and insurance	-	7,311	-	7,311	19,943
Cost-sharing and other	57,418	103,075	2,940	163,433	330,807
Total expenses	<u>\$ 4,079,883</u>	<u>\$ 562,918</u>	<u>\$ 56,414</u>	<u>\$ 4,699,215</u>	<u>\$ 11,741,556</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the year ended August 31, 2018
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from grantors, donors and others	\$ 5,438,100	\$ 9,964,432
Cash paid to suppliers, employees and others	<u>(4,714,180)</u>	<u>(12,103,893)</u>
Net cash provided by (used in) operating activities	<u>723,920</u>	<u>(2,139,461)</u>
Cash flows from investing activities:		
Purchase of investments	<u>(2,629,188)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,629,188)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,905,268)	(2,139,461)
Cash and cash equivalents - beginning of year	<u>8,744,316</u>	<u>10,883,777</u>
Cash and cash equivalents - end of year	<u>\$ 6,839,048</u>	<u>\$ 8,744,316</u>
Cash and cash equivalents:		
General operating	\$ 3,667,274	\$ 5,072,877
Political committee accounts	<u>3,171,774</u>	<u>3,671,439</u>
Total cash and cash equivalents	<u>\$ 6,839,048</u>	<u>\$ 8,744,316</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 910,294	\$ (1,792,124)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in value of investments	18,053	-
(Increase) decrease in:		
Pledges and accounts receivables	(189,462)	15,000
Prepaid expenses and deposits	(167)	(384)
Increase (decrease) in:		
Accounts payable and accrued expenses	(48,444)	(140,478)
Due to Stand for Children Leadership Center	<u>33,646</u>	<u>(221,475)</u>
Net cash provided by (used in) operating activities	<u>\$ 723,920</u>	<u>\$ (2,139,461)</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2018

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 education advocacy organization, 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 2018, 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, 2018

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 \$3,171,774 and \$3,671,439 at August 31, 2018 and 2017, respectively, as reported on the statement of financial position.

Pledges and Accounts 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 and accounts 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.

Investments

Investments are carried at fair value.

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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services, Continued

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.

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 \$2,000 and \$9,300, respectively, for the years ended August 31, 2018 and 2017.

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, 2018, the date the financial statements were available to be issued.

Summarized Financial Information for 2017

The financial information as of August 31, 2017 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, 2018

3. INVESTMENTS

Investments consist of the following at August 31, 2018:

Cash and money fund	\$ 175,893
Corporate bonds - publically traded	<u>2,435,242</u>
Total investments	<u>\$ 2,611,135</u>

Investment income is included in other income and consists of:

Interest and dividends	\$ 31,362
Change in value of investments	(18,053)
Investment fees	<u>(2,174)</u>
Net investment income	<u>\$ 11,135</u>

4. LINE OF CREDIT

The Organization has a \$250,000 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 6.50% as of August 31, 2018). The line of credit is secured by all receivables and deposit accounts of the Organization. The line matures June 2019. There were no outstanding advances on the line at August 31, 2018 and 2017.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Political committee accounts	\$ 2,250,621	\$ 2,021,078
Other restrictions	<u>-</u>	<u>135,590</u>
Total temporarily restricted net assets	<u>\$ 2,250,621</u>	<u>\$ 2,156,668</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 direct costs (primarily personnel costs) advanced. Total costs incurred under direct cost reimbursement arrangements with the Center approximated \$1,331,500 and \$1,961,900 for the years ended August 31, 2018 and 2017, respectively.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2018

6. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

In addition, 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. During the years ended August 31, 2018 and 2017, general and administrative cost-share charges incurred by the Organization under this agreement consisted of the following:

	2018	2017
Consultants, accounting and legal	\$ 2,809	\$ 10,596
Other program services	10,441	17,878
Recruitment and staff development	7,420	31,696
Occupancy, equipment and insurance	59,230	69,906
Printing, supplies and postage	5,178	8,946
Telephone, web hosting and information technology	51,780	162,498
Other	4,890	1,632
	<u>\$ 141,748</u>	<u>\$ 303,152</u>

Under a lobbying grant agreement between the Organization and the Center, the Organization receives 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 years ended August 31, 2018 and 2017.

Advances and other amounts due to the Center approximated \$107,800 and \$74,100, respectively, as of August 31, 2018 and 2017, 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 2018 and 2017 approximated \$30,300 and \$45,600, respectively.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
August 31, 2018

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 \$5,462,000 and \$7,007,000 at August 31, 2018 and 2017, respectively.

The Organization's revenues are concentrated with 77% of total revenue coming from three sources for each of the years ended August 31, 2018 and 2017.

9. COMMITMENTS

Under contracts with various agencies for professional services, the Organization has committed to reimburse expenses up to contracted maximum amounts. Approximate amounts committed but not yet recorded as of August 31, 2018 and 2017 are \$19,300 and \$97,200, respectively.

10. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The inputs are categorized by different levels as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at August 31, 2018 included corporate bonds which are publically traded and classified as level 2.

Fair values for corporate bonds, are determined by reference to quoted market prices and other relevant information generated by market transactions.