

STAND FOR CHILDREN, INC.

Audited Financial Statements

For the Year Ended August 31, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
January 9, 2020

STAND FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2019
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents:		
General operating	\$ 4,380,512	\$ 3,667,274
Political committee accounts	3,359,339	3,171,774
Accounts receivables	11,568	189,462
Investments	2,656,120	2,611,135
Prepaid expenses and deposits	<u>55,649</u>	<u>23,103</u>
TOTAL ASSETS	<u>\$ 10,463,188</u>	<u>\$ 9,662,748</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 305,493	\$ 210,619
Due to Stand for Children Leadership Center	<u>64,500</u>	<u>107,755</u>
Total liabilities	<u>369,993</u>	<u>318,374</u>
Net assets:		
Without donor restrictions:		
Undesignated	7,050,800	6,678,753
Board designated operating reserve	<u>585,000</u>	<u>415,000</u>
Total net assets without donor restrictions	7,635,800	7,093,753
With donor restrictions	<u>2,457,395</u>	<u>2,250,621</u>
Total net assets	<u>10,093,195</u>	<u>9,344,374</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,463,188</u>	<u>\$ 9,662,748</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants and contributions	\$ 4,941,746	\$ 1,921,539	\$ 6,863,285	\$ 5,584,326
Investment and other income	78,158	-	78,158	25,183
Net assets released from purpose restrictions	1,714,765	(1,714,765)	-	-
Total support and revenue	6,734,669	206,774	6,941,443	5,609,509
Expenses:				
Program	5,437,583	-	5,437,583	4,079,883
Management and general	727,734	-	727,734	562,918
Fundraising	27,305	-	27,305	56,414
Total expenses	6,192,622	-	6,192,622	4,699,215
Change in net assets	542,047	206,774	748,821	910,294
Net assets:				
Beginning of year	7,093,753	2,250,621	9,344,374	8,434,080
End of year	\$ 7,635,800	\$ 2,457,395	\$ 10,093,195	\$ 9,344,374

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, payroll taxes and benefits	\$ 1,585,251	\$ 508,021	\$ 23,623	\$ 2,116,895
Consultants and professional services	1,317,070	29,845	-	1,346,915
Other services	2,241,679	2,406	39	2,244,124
Travel	50,527	4,432	526	55,485
Supplies and postage	12,919	837	14	13,770
Telephone and technology	117,950	834	-	118,784
Occupancy, equipment and insurance	-	7,103	-	7,103
Cost-sharing and other	<u>112,187</u>	<u>174,256</u>	<u>3,103</u>	<u>289,546</u>
Total expenses	<u>\$ 5,437,583</u>	<u>\$ 727,734</u>	<u>\$ 27,305</u>	<u>\$ 6,192,622</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2018

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

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the year ended August 31, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from grantors, donors and others	\$ 7,063,256	\$ 5,438,100
Cash paid to suppliers, employees and others	<u>(6,173,549)</u>	<u>(4,714,180)</u>
Net cash flows from operating activities	<u>889,707</u>	<u>723,920</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	1,300,000	-
Purchase of investments	<u>(1,288,904)</u>	<u>(2,629,188)</u>
Net cash flows from investing activities	<u>11,096</u>	<u>(2,629,188)</u>
Net change in cash and cash equivalents	900,803	(1,905,268)
Cash and cash equivalents - beginning of year	<u>6,839,048</u>	<u>8,744,316</u>
Cash and cash equivalents - end of year	<u><u>\$ 7,739,851</u></u>	<u><u>\$ 6,839,048</u></u>
Cash and cash equivalents:		
General operating	\$ 4,380,512	\$ 3,667,274
Political committee accounts	<u>3,359,339</u>	<u>3,171,774</u>
Total cash and cash equivalents	<u><u>\$ 7,739,851</u></u>	<u><u>\$ 6,839,048</u></u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2019

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 2019, the Organization had activity and staff in Arizona, Colorado, Illinois, Indiana, Louisiana, Massachusetts, 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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 \$3,359,339 and \$3,171,774 at August 31, 2019 and 2018, 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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 support without donor restrictions 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.

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. The expenses that are allocated include salaries and related expenses, professional services, travel, supplies and postage, telephone, technology, and cost-sharing expenses detailed in Note 7 which are allocated on the basis of estimated time and effort.

Advertising

The Organization expenses advertising costs as these are incurred. Advertising expense totaled approximately \$5,600 and \$2,000, respectively, for the years ended August 31, 2019 and 2018.

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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other 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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented except for Note 3 on available resources and liquidity.

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 January 9, 2020, the date the financial statements were available to be issued.

Summarized Financial Information for 2018

The financial information as of August 31, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at August 31, 2019:

	Total Financial Assets	Board Designated	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 7,739,851	\$ 585,000	\$ 2,457,395	\$ 4,697,456
Accounts receivable	11,568	-	-	11,568
Investments	<u>2,656,120</u>	<u>-</u>	<u>-</u>	<u>2,656,120</u>
 Total financial assets	 <u>\$ 10,407,539</u>	 <u>\$ 585,000</u>	 <u>\$ 2,457,395</u>	 <u>\$ 7,365,144</u>

See Note 5 for information about the Organization's line of credit.

The board designated operating reserve is based on two months of operating expenses and is available for spending when approved by the board of directors.

4. INVESTMENTS

Investments consist of the following at August 31, 2019:

	<u>2019</u>	<u>2018</u>
Cash and money fund	\$ 220,014	\$ 175,893
Corporate bonds - publically traded	<u>2,436,106</u>	<u>2,435,242</u>
Total investments	<u>\$ 2,656,120</u>	<u>\$ 2,611,135</u>

5. 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 rate was 5.25% as of August 31, 2019). The line of credit is secured by all receivables and deposit accounts of the Organization. The line matures June 2020. There were no outstanding advances on the line at August 31, 2019 and 2018.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2019 and 2018 consist of the following:

	2019	2018
Political committee accounts	\$ 2,119,550	\$ 2,250,621
Lobbying	337,845	-
Total net assets with donor restrictions	\$ 2,457,395	\$ 2,250,621

7. 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 direct costs (primarily personnel costs) advanced. Total costs incurred under direct cost reimbursement arrangements with the Center approximated \$2,174,500 and \$1,331,500 for the years ended August 31, 2019 and 2018, respectively.

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, 2019 and 2018, general and administrative cost-share charges incurred by the Organization under this agreement and included in expenses on the statement of functional expenses consisted of the following:

	2019	2018
Consultants, accounting and legal	\$ 4,301	\$ 2,809
Other program services	33,540	10,441
Recruitment and staff development	22,323	7,420
Occupancy, equipment and insurance	106,983	59,230
Printing, supplies and postage	10,888	5,178
Telephone, web hosting and information technology	75,433	51,780
Other	-	4,890
	\$ 253,468	\$ 141,748

Under a lobbying grant agreement between the Organization and the Center, the Center may grant funds each year to the Organization to support its direct and grass roots lobbying on legislation of mutual concern to both organizations. During the year ended August 31, 2019, \$830,000 was received from the Center pursuant to that agreement. No funds were received from the Center under that agreement during the year ended August 31, 2018.

Advances and other amounts due to the Center approximated \$64,500 and \$107,800 as of August 31, 2019 and 2018, respectively, under the operating agreements described above.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

8. 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 2019 and 2018 approximated \$47,800 and \$30,300, respectively.

9. 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 \$6,060,000 and \$5,462,000 at August 31, 2019 and 2018, respectively.

The Organization's revenues are concentrated with 72% and 77% of total revenue coming from three sources for the years ended August 31, 2019 and 2018, respectively.

10. 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, 2019 and 2018 are \$30,000 and \$19,300, respectively.

11. 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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2019

II. FAIR VALUE MEASUREMENTS, Continued

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, 2019 and 2018 included corporate bonds totaling \$2,436,106 and \$2,435,242, respectively, 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.