

STAND FOR CHILDREN, INC.

Audited Financial Statements

For the Year Ended August 31, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
December 14, 2020

STAND FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents:		
General operating	\$ 2,827,563	\$ 4,380,512
Political committee accounts	2,546,276	3,359,339
Accounts receivable	10,023	11,568
Investments	2,710,770	2,656,120
Prepaid expenses and deposits	61,693	55,649
 TOTAL ASSETS	 \$ 8,156,325	 \$ 10,463,188
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 196,994	\$ 305,493
Due to Stand for Children Leadership Center	63,379	64,500
Total liabilities	260,373	369,993
 Net assets:		
Without donor restrictions:		
Undesignated	5,629,105	7,050,800
Board designated operating reserve	444,000	585,000
Total net assets without donor restrictions	6,073,105	7,635,800
With donor restrictions	1,822,847	2,457,395
Total net assets	7,895,952	10,093,195
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,156,325	 \$ 10,463,188

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2020
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants and contributions	\$ 6,649,305	\$ 1,207,301	\$ 7,856,606	\$ 6,863,285
Investment and other income	56,985	-	56,985	78,158
Net assets released from purpose restrictions	1,841,849	(1,841,849)	-	-
Total support and revenue	<u>8,548,139</u>	<u>(634,548)</u>	<u>7,913,591</u>	<u>6,941,443</u>
Expenses:				
Program	9,310,541	-	9,310,541	5,437,583
Management and general	771,159	-	771,159	727,734
Fundraising	29,134	-	29,134	27,305
Total expenses	<u>10,110,834</u>	<u>-</u>	<u>10,110,834</u>	<u>6,192,622</u>
Change in net assets	(1,562,695)	(634,548)	(2,197,243)	748,821
Net assets:				
Beginning of year	<u>7,635,800</u>	<u>2,457,395</u>	<u>10,093,195</u>	<u>9,344,374</u>
End of year	<u>\$ 6,073,105</u>	<u>\$ 1,822,847</u>	<u>\$ 7,895,952</u>	<u>\$ 10,093,195</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2020
(With comparative totals for 2019)

	2020			2019 Total	
	Program	Management and General	Fundraising		Total
Salaries, payroll taxes and benefits	\$ 1,217,272	\$ 600,012	\$ 25,944	\$ 1,843,228	\$ 2,116,895
Consultants and professional services	5,021,414	24,985	-	5,046,399	1,346,915
Other services	2,827,469	5,771	371	2,833,611	2,244,124
Occupancy, equipment and insurance	-	7,122	-	7,122	7,103
Travel	25,144	3,448	18	28,610	55,485
Supplies and postage	19,253	299	38	19,590	13,770
Telephone and technology	123,115	2,892	-	126,007	118,784
Grants to others	20,000	-	-	20,000	-
Cost-sharing and other	56,874	126,630	2,763	186,267	289,546
 Total expenses	 <u>\$ 9,310,541</u>	 <u>\$ 771,159</u>	 <u>\$ 29,134</u>	 <u>\$ 10,110,834</u>	 <u>\$ 6,192,622</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the year ended August 31, 2020
(With comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from grantors, donors and others	\$ 7,906,668	\$ 7,063,256
Cash paid to suppliers, employees and others	<u>(10,226,498)</u>	<u>(6,173,549)</u>
Net cash flows from operating activities	<u>(2,319,830)</u>	<u>889,707</u>
 Cash flows from investing activities:		
Proceeds from the sale of investments	2,050,000	1,300,000
Purchase of investments	<u>(2,096,182)</u>	<u>(1,288,904)</u>
Net cash flows from investing activities	<u>(46,182)</u>	<u>11,096</u>
 Net change in cash and cash equivalents	(2,366,012)	900,803
 Cash and cash equivalents - beginning of year	<u>7,739,851</u>	<u>6,839,048</u>
 Cash and cash equivalents - end of year	<u><u>\$ 5,373,839</u></u>	<u><u>\$ 7,739,851</u></u>
 Cash and cash equivalents:		
General operating	\$ 2,827,563	\$ 4,380,512
Political committee accounts	<u>2,546,276</u>	<u>3,359,339</u>
Total cash and cash equivalents	<u><u>\$ 5,373,839</u></u>	<u><u>\$ 7,739,851</u></u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

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 2020, the Organization had activity and staff in Arizona, Colorado, Illinois, Indiana, Louisiana, Oregon, Tennessee, 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, 2020

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 \$2,546,276 and \$3,359,339 at August 31, 2020 and 2019, respectively, as reported on the statement of financial position.

Contributions and Accounts Receivable

Contributions 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 promises to give 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. Adjustments to 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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Revenues from various sources are recognized as follows:

Grants and Contributions: Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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, 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 \$1,700 and \$5,600, respectively, for the years ended August 31, 2020 and 2019.

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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status, Continued

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.

Change in Accounting Principle

The Organization implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

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 14, 2020, the date the financial statements were available to be issued.

Summarized Financial Information for 2019

The financial information as of August 31, 2019 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, 2020

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,373,839	\$ 7,739,851
Accounts receivable	10,023	11,568
Investments	<u>2,710,770</u>	<u>2,656,120</u>
	8,094,632	10,407,539
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	1,822,847	2,457,395
Board designated operating reserve	<u>444,000</u>	<u>585,000</u>
Financial assets available for general expenditure	<u><u>5,827,785</u></u>	<u><u>\$ 7,365,144</u></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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and money fund	\$ 707,269	\$ 220,014
US Treasury bonds	703,330	-
Corporate bonds - publicly traded	<u>1,300,171</u>	<u>2,436,106</u>
Total investments	<u><u>\$ 2,710,770</u></u>	<u><u>\$ 2,656,120</u></u>

5. LINE OF CREDIT

The Organization has a \$250,000 unsecured line of credit with a financial institution. Interest payments are due monthly on the outstanding advances at a variable rate, the greater of prime rate less .5% or 3.75% (prime rate was 3.25% as of August 31, 2020) (greater of prime plus 1.5% or 5% in 2019). The line matures March 2021. There were no outstanding advances on the line at August 31, 2020 and 2019.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2020

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Political committee accounts	\$ 1,036,282	\$ 2,119,550
Lobbying	-	337,845
Other purpose or location restriction	<u>786,565</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 1,822,847</u>	<u>\$ 2,457,395</u>

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 \$1,938,200 and \$2,174,500 for the years ended August 31, 2020 and 2019, 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, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Consultants, accounting and legal	\$ 3,080	\$ 4,301
Other program services	1,953	33,540
Recruitment and staff development	8,667	22,323
Occupancy, equipment and insurance	58,099	106,983
Printing, supplies and postage	5,578	10,888
Telephone, web hosting and information technology	54,083	75,433
Other	<u>3,294</u>	<u>-</u>
Total cost-share charges	<u>\$ 134,754</u>	<u>\$ 253,468</u>

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2020

7. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

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, 2020, the Organization received no such grants. During the year ended August 31, 2019, \$830,000 was received from the Center pursuant to that agreement.

Advances and other amounts due to the Center approximated \$63,400 and \$64,500 as of August 31, 2020 and 2019, respectively, under the operating agreements described above.

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 2020 and 2019 approximated \$51,100 and \$47,800, 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 \$4.13 million and \$6.06 million at August 31, 2020 and 2019, respectively.

The Organization's revenues are concentrated with 82% of total revenue coming from two sources and 72% of total revenue coming from three sources for the years ended August 31, 2020 and 2019, 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, 2020 and 2019 total \$20,000 and \$30,000, respectively.

STAND FOR CHILDREN, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 August 31, 2020

II. 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, 2020 and 2019 included:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
August 31, 2020			
Assets:			
US Treasury bonds	\$ 703,330	\$ 703,330	\$ -
Corporate bonds - publicly traded	1,300,171	-	1,300,171
August 31, 2019			
Assets:			
Corporate bonds - publicly traded	\$ 2,436,106	\$ -	\$ 2,436,106

Fair values for government securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for investments in corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2020

12. CONTINGENCIES AND UNCERTAINTIES

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.