

STAND FOR CHILDREN, INC.

Audited Financial Statements

For the Year Ended August 31, 2021



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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
December 17, 2021

STAND FOR CHILDREN, INC.  
STATEMENT OF FINANCIAL POSITION  
August 31, 2021  
(With comparative totals for 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents:		
General operating	\$ 3,512,244	\$ 2,827,563
Political committee accounts	2,355,270	2,546,276
Accounts receivable	3,269	10,023
Prepaid expenses and deposits	60,141	61,693
Investments	1,447,467	2,710,770
TOTAL ASSETS	\$ 7,378,391	\$ 8,156,325
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 409,964	\$ 196,994
Due to Stand for Children Leadership Center	31,938	63,379
Total liabilities	441,902	260,373
Net assets:		
Without donor restrictions:		
Undesignated	4,723,914	5,629,105
Board designated operating reserve	471,000	444,000
Total net assets without donor restrictions	5,194,914	6,073,105
With donor restrictions	1,741,575	1,822,847
Total net assets	6,936,489	7,895,952
TOTAL LIABILITIES AND NET ASSETS	\$ 7,378,391	\$ 8,156,325

See notes to financial statements.

STAND FOR CHILDREN, INC.  
STATEMENT OF ACTIVITIES  
For the year ended August 31, 2021  
(With comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Grants and contributions	\$ 27,118,623	\$ 2,725,343	\$ 29,843,966	\$ 7,856,606
Investment and other income	8,021	-	8,021	56,985
Net assets released from purpose restrictions	2,806,615	(2,806,615)	-	-
Total support and revenue	29,933,259	(81,272)	29,851,987	7,913,591
<b>Expenses:</b>				
Program	30,159,156	-	30,159,156	9,310,541
Management and general	637,859	-	637,859	771,159
Fundraising	14,435	-	14,435	29,134
Total expenses	30,811,450	-	30,811,450	10,110,834
Change in net assets	(878,191)	(81,272)	(959,463)	(2,197,243)
<b>Net assets:</b>				
Beginning of year	6,073,105	1,822,847	7,895,952	10,093,195
End of year	\$ 5,194,914	\$ 1,741,575	\$ 6,936,489	\$ 7,895,952

See notes to financial statements.

STAND FOR CHILDREN, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended August 31, 2021  
(With comparative totals for 2020)

	2021			2020 Total	
	Program	Management and General	Fundraising		Total
Salaries, payroll taxes and benefits	\$ 1,369,048	\$ 497,252	\$ 11,676	\$ 1,877,976	\$ 1,843,228
Consultants and professional services	1,170,993	25,609	-	1,196,602	5,046,399
Other services	27,423,532	426	-	27,423,958	2,833,611
Occupancy, equipment and insurance	-	7,715	-	7,715	7,122
Travel	7,850	-	-	7,850	28,610
Supplies and postage	7,039	280	231	7,550	19,590
Telephone and technology	112,721	438	-	113,159	126,007
Grants to others	-	-	-	-	20,000
Cost-sharing and other	67,973	106,139	2,528	176,640	186,267
Total expenses	<u>\$ 30,159,156</u>	<u>\$ 637,859</u>	<u>\$ 14,435</u>	<u>\$ 30,811,450</u>	<u>\$ 10,110,834</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.  
STATEMENT OF CASH FLOWS  
For the year ended August 31, 2021  
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash received from grantors, donors and others	\$ 29,861,736	\$ 7,906,668
Cash paid to suppliers, employees and others	<u>(30,628,369)</u>	<u>(10,226,498)</u>
Net cash flows from operating activities	<u>(766,633)</u>	<u>(2,319,830)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investments	2,000,000	2,050,000
Purchase of investments	<u>(739,692)</u>	<u>(2,096,182)</u>
Net cash flows from investing activities	<u>1,260,308</u>	<u>(46,182)</u>
Net change in cash and cash equivalents	493,675	(2,366,012)
Cash and cash equivalents - beginning of year	<u>5,373,839</u>	<u>7,739,851</u>
Cash and cash equivalents - end of year	<u>\$ 5,867,514</u>	<u>\$ 5,373,839</u>
<b>Cash and cash equivalents:</b>		
General operating	\$ 3,512,244	\$ 2,827,563
Political committee accounts	<u>2,355,270</u>	<u>2,546,276</u>
Total cash and cash equivalents	<u>\$ 5,867,514</u>	<u>\$ 5,373,839</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021

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 2021, 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.

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.



STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *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 \$2,355,270 and \$2,546,276 at August 31, 2021 and 2020, 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 are included in contribution support.

Investments

Investments are carried at fair value.

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.

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, 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, telephone, technology, cost-sharing expenses detailed in Note 7, and other expenses which are allocated on the basis of estimated time and effort.

Advertising

The Organization expenses advertising costs as these are incurred. Advertising expense were insignificant, for the years ended August 31, 2021 and 2020.

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.

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Summarized Financial Information for 2020

The financial information as of August 31, 2020 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.

Financial assets of the Organization consist of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,867,514	\$ 5,373,839
Accounts receivable	3,269	10,023
Investments	<u>1,447,467</u>	<u>2,710,770</u>
	7,318,250	8,094,632
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	1,741,575	1,822,847
Board designated operating reserve	<u>471,000</u>	<u>444,000</u>
Financial assets available for general expenditure	<u>\$ 5,105,675</u>	<u>\$ 5,827,785</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.

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

4. INVESTMENTS

Investments consist of the following at August 31, 2021 and 2020:

	2021	2020
Cash and money fund	\$ 184,420	\$ 707,269
US Treasury bonds	-	703,330
Corporate bonds - publicly traded	1,263,047	1,300,171
Total investments	\$ 1,447,467	\$ 2,710,770

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 3.25% (prime rate was 3.25% as of August 31, 2021). The line matures March 2022. There were no outstanding advances on the line at August 31, 2021 and 2020.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2021 and 2020 consist of the following:

	2021	2020
Political committee accounts	\$ 1,216,575	\$ 1,036,282
Other purpose or location restriction	525,000	786,565
Total net assets with donor restrictions	\$ 1,741,575	\$ 1,822,847

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 \$2,064,200 and \$1,938,200 for the years ended August 31, 2021 and 2020, 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, 2021 and 2020, 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:

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

7. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

	<u>2021</u>	<u>2020</u>
Consultants, accounting and legal	\$ 2,794	\$ 3,080
Other program services	12,832	1,953
Recruitment and staff development	3,457	8,667
Occupancy, equipment and insurance	66,751	58,099
Printing, supplies and postage	2,608	5,578
Telephone, web hosting and information technology	63,013	54,083
Other	<u>3,680</u>	<u>3,294</u>
Total cost-share charges	<u>\$ 155,135</u>	<u>\$ 134,754</u>

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, 2021, the Organization received \$340,000 from the Center pursuant to that agreement. There were no such grants during the year ended August 31, 2020.

Advances and other amounts due to the Center approximated \$31,900 and \$63,400 as of August 31, 2021 and 2020, 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 2021 and 2020 approximated \$52,900 and \$51,100, 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 \$4.5 million and \$4.1 million at August 31, 2021 and 2020, respectively.

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

9. CONCENTRATIONS OF CREDIT RISK, Continued

The Organization's revenues are concentrated with 80% and 82% of total revenue coming from two sources for the years ended August 31, 2021 and 2020, respectively.

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.

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, 2021 total \$318,000

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.

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.

STAND FOR CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
August 31, 2021

11. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at August 31, 2021 and 2020 included:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>August 31, 2021</b>			
Investments:			
Money market fund	\$ 36,850	\$ 36,850	\$ -
Corporate bonds - publicly traded	1,263,047	-	1,263,047
<b>August 31, 2020</b>			
Investments:			
Money market fund	\$ 686,840	\$ 686,840	\$ -
US Treasury bonds	703,330	703,330	-
Corporate bonds - publicly traded	1,300,171	-	1,300,171

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.

12. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through December 17, 2021, the date the financial statements were available to be issued.