

STAND FOR CHILDREN, INC.

Audited Financial
Statements

For the Year Ended
December 31, 2014



McDONALD JACOBS



INDEPENDENT AUDITOR'S REPORT

Mark A. Clift, CPA
Shareholder

To the Board of Directors
Stand for Children, Inc.

Karin S. Wandtke, CPA
Shareholder

We have audited the accompanying financial statements of Stand for Children, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

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.

Mary Strasdin, CPA
Shareholder

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

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.

Tyee Carr, CPA
Principal

Jake Jacobs, CPA
of counsel

Susan J. Marks, CPA
of counsel

Dennis C. Johnson, CPA
of counsel

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 December 31, 2014, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Stand for Children, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
April 13, 2015

STAND FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014
(With comparative totals for 2013)

	2014	2013
ASSETS		
Cash and cash equivalents:		
General operating	\$ 5,094,662	\$ 3,739,683
Political committee accounts	1,662,060	2,094,270
Due from Stand for Children Leadership Center	-	243,561
Pledges receivable, net	116,000	511,525
Prepaid expenses and deposits	6,244	2,079
 TOTAL ASSETS	 \$ 6,878,966	 \$ 6,591,118
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 137,224	\$ 100,005
Due to Stand for Children Leadership Center	30,587	-
 Total liabilities	 167,811	 100,005
Net assets:		
Unrestricted		
Undesignated	4,142,257	3,958,703
Board designated operating reserve	449,831	-
Total unrestricted	4,592,088	3,958,703
Temporarily restricted	2,119,067	2,532,410
Total net assets	6,711,155	6,491,113
 TOTAL LIABILITIES AND NET ASSETS	 \$ 6,878,966	 \$ 6,591,118

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2014
(With comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Grants and contributions	\$ 5,607,589	\$ 524,180	\$ 6,131,769	\$ 5,343,539
In-kind donations	-	-	-	1,350
Other income	27,600	-	27,600	19,252
Net assets released from purpose restrictions	937,523	(937,523)	-	-
Total support and revenue	6,572,712	(413,343)	6,159,369	5,364,141
Expenses:				
Program	5,196,048	-	5,196,048	2,900,859
Management and general	649,961	-	649,961	689,817
Fundraising	93,318	-	93,318	92,141
Total expenses	5,939,327	-	5,939,327	3,682,817
Change in net assets	633,385	(413,343)	220,042	1,681,324
Net assets:				
Beginning of year	3,958,703	2,532,410	6,491,113	4,809,789
End of year	\$ 4,592,088	\$ 2,119,067	\$ 6,711,155	\$ 6,491,113

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014
(With comparative totals for 2013)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Total</u>	<u>2013 Total</u>
Salaries, payroll taxes and benefits	\$ 856,143	\$ 405,972	\$ 82,924	\$ 1,345,039	\$ 1,333,255
Consultants and professional services	1,265,772	64,263	3,324	1,333,359	989,782
Other services	2,542,940	6,395	2,453	2,551,788	908,710
Travel	67,080	3,698	2,399	73,177	178,885
Supplies and postage	266,866	1,074	2,218	270,158	20,421
Telephone and technology	129,238	15,178	-	144,416	49,916
Occupancy, equipment and insurance	-	5,295	-	5,295	681
Cost-sharing and other	<u>68,009</u>	<u>148,086</u>	<u>-</u>	<u>216,095</u>	<u>201,167</u>
Total expenses	<u>\$ 5,196,048</u>	<u>\$ 649,961</u>	<u>\$ 93,318</u>	<u>\$ 5,939,327</u>	<u>\$ 3,682,817</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
(With comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from grantors, donors and others	\$ 6,554,894	\$ 4,932,729
Cash paid to suppliers, employees and others	<u>(5,632,125)</u>	<u>(3,624,133)</u>
Net cash provided by operating activities	<u>922,769</u>	<u>1,308,596</u>
Net increase in cash and cash equivalents	922,769	1,308,596
Cash and cash equivalents - beginning of year	<u>5,833,953</u>	<u>4,525,357</u>
Cash and cash equivalents - end of year	<u>\$ 6,756,722</u>	<u>\$ 5,833,953</u>
Cash and cash equivalents:		
General operating	\$ 5,094,662	\$ 3,739,683
Political committee accounts	<u>1,662,060</u>	<u>2,094,270</u>
Total cash and cash equivalents	<u>\$ 6,756,722</u>	<u>\$ 5,833,953</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 220,042	\$ 1,681,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Pledges receivable	395,525	(494,666)
Other assets	(4,165)	(1,264)
Due from Stand for Children Leadership Center	243,561	64,366
Increase (decrease) in:		
Accounts payable and accrued expenses	37,219	58,836
Due to Stand for Children Leadership Center	<u>30,587</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 922,769</u>	<u>\$ 1,308,596</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

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

Stand for Children, Inc. benefits children by utilizing the democratic process to make changes to the education system that result in better outcomes for children. The Organization focuses its efforts in strategically selected states. During 2014, 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.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. At December 31, 2014 and 2013 the Organization had no permanently restricted net assets.

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 \$1,662,060 and \$2,094,270 at December 31, 2014 and 2013, respectively, as separately reported on the statement of financial position.

Pledges Receivable

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

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

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted and Unrestricted Revenue and Support

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

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization regularly receives contributed services from a large number of volunteers who assist in the Organization's efforts and activities. However, no objective basis is available to measure the value of such services, and no amount has been reflected in the financial statements.

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 \$1,480,000 and \$406,400 for the years ended December 31, 2014 and 2013, respectively.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

The Organization's information returns for years ended December 31, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

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 2013

The financial information as of December 31, 2013 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through April 13, 2015, the date the financial statements were available to be issued. In January 2015, the board of directors approved a policy implementing a board designated operating reserve to be retroactive beginning with the year ending December 31, 2014.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2014

3. PLEDGES RECEIVABLE

Pledges receivable are unsecured and represent unconditional promises to give as follows at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Within one year	\$ 80,000	\$ 405,025
Within two to five years	<u>37,500</u>	<u>112,500</u>
Total pledges receivable	117,500	517,525
Less discount for long-term pledges	<u>1,500</u>	<u>6,000</u>
Pledges receivable, net	<u>\$ 116,000</u>	<u>\$ 511,525</u>

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.0%.

As of December 31, 2014, the Organization had received pledges contingent on the Organization meeting specific program requirements. Provided the conditions are met, \$2,687,500 is due to the Organization within one year. Contingent pledges are not recorded as contributions revenue until the donor conditions are satisfied.

4. LINE OF CREDIT

The Organization has a \$200,000 line of credit with a financial institution. Interest payments are to be made monthly on the outstanding balance at a floating rate equal to 1.50% over the bank prime rate or the floor rate of 5.00%, whichever is greater (5.00% as of December 31, 2014 and 2013). The line of credit is secured by all receivables and deposit accounts of the Organization. The line matured on January 5, 2015 and has been renewed through January 2016. There were no advances on the line at December 31, 2014 and 2013.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Political committee accounts	\$ 2,006,245	\$ 1,996,245
Other restrictions	<u>112,822</u>	<u>536,165</u>
Total temporarily restricted net assets	<u>\$ 2,119,067</u>	<u>\$ 2,532,410</u>

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2014

6. TRANSACTIONS WITH AFFILIATED ORGANIZATION

Under a resource sharing agreement between the Organization and Stand for Children Leadership Center (the Center), the Organization reimburses the Center for its share of general and administrative costs on the basis of the proportion of staff hours spent on Organization activities. During 2014 and 2013, general and administrative cost-share charges incurred by the Organization under this agreement consisted of the following:

	2014	2013
Consultants, accounting and legal	\$ 25,884	\$ 27,832
Recruitment and staff development	6,904	3,141
Occupancy, equipment and insurance	76,556	85,792
Printing, supplies and postage	6,334	9,651
Telephone, web hosting and information technology	15,152	10,954
Travel	20,804	38,540
Other	22,731	25,257
	<u>\$ 174,365</u>	<u>\$ 201,167</u>

In addition, the Organization reimburses the Center for direct costs (primarily personnel costs) advanced. Total costs incurred under direct cost reimbursement arrangements with the Center approximated \$1,459,000 and \$1,558,000 in 2014 and 2013.

Under a lobbying grant agreement between the Organization and the Center, the Organization received funds from the Center in support of direct and grass roots lobbying conducted by Stand for Children, Inc. on issues of mutual concern to both organizations. Amounts received from the Center for lobbying activities pursuant to this agreement approximated \$60,000 and \$334,600, in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, advances and other amounts due to the Center approximated \$30,600, under the operating agreements described above. As of December 31, 2013, advances and other amounts due from the Center approximated \$243,600, 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 who have completed six months of service may participate in the plan. The Organization contributes 4% of employees' compensation to the plan annually. Retirement plan expenses for the years ended December 31, 2014 and 2013 approximated \$24,200 and \$22,700, respectively.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2014

8. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. Balances 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 \$6,116,000 and \$5,236,000 as of December 31, 2014 and 2013, respectively.

The Organization's revenues are concentrated with 58% coming from two sources and 47% coming from one source for the years ended December 31, 2014 and 2013, respectively. The Organization's credit risk for pledges receivable are concentrated with 96% of the balances coming from one individual and 99% coming from two individuals for the year ended December 31, 2014 and 2013, respectively.