STAND FOR CHILDREN
LEADERSHIP CENTER

Audited Financial
Statements

For the Year Ended
December 31, 2014

McDONALD JACOBS

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stand for Children Leadership Center

We have audited the accompanying financial statements of Stand for Children Leadership Center (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.

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.

McDonald Jacobs, PC
520 SW Yamhill Suite 500 Portland, Oregon 97204
P: 503 227 0581 F: 503 274 7611
mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

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 Leadership Center 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 Leadership Center'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 Jacobs, P.C.

Portland, Oregon
April 13, 2015

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

	2014	2013
ASSETS		
Cash and cash equivalents	$ 13,711,877	$ 10,463,325
Pledges receivable	1,662,709	1,827,156
Accounts receivables	10,605	19,429
Prepaid expenses and deposits	285,381	245,856
Furniture and equipment, net	93,565	177,556
Due from Stand for Children, Inc.	30,587	-
TOTAL ASSETS	$ 15,794,724	$ 12,733,322
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 144,151	$ 215,510
Accrued payroll liabilities	886,226	719,262
Due to Stand for Children, Inc.	-	243,561
Total liabilities	1,030,377	1,178,333
Net assets:		
Unrestricted:		
Undesignated	5,115,105	4,430,327
Board designated operating reserve	2,567,833	-
Net furniture and equipment	93,565	177,556
Total unrestricted	7,776,503	4,607,883
Temporarily restricted	6,987,844	6,947,106
Total net assets	14,764,347	11,554,989
TOTAL LIABILITIES AND NET ASSETS	$ 15,794,724	$ 12,733,322

See notes to financial statements.

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

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Grants and contributions	$ 7,847,472	$ 10,535,610	$ 18,383,082	$ 22,144,473
In-kind donations	-	-	-	64,836
Other income	234,282	166	234,448	253,360
Net assets released from restrictions:				
Time restrictions	137,500	(137,500)	-	-
Purpose restrictions	10,357,538	(10,357,538)	-	-
Total support and revenue	18,576,792	40,738	18,617,530	22,462,669
Expenses:				
Program	9,930,280	-	9,930,280	12,567,360
Management and general	4,399,810	-	4,399,810	4,514,622
Fundraising	1,078,082	-	1,078,082	1,086,547
Total expenses	15,408,172	-	15,408,172	18,168,529
Change in net assets	3,168,620	40,738	3,209,358	4,294,140
Net assets:				
Beginning of year	4,607,883	6,947,106	11,554,989	7,260,849
End of year	$ 7,776,503	$ 6,987,844	$ 14,764,347	$ 11,554,989

See notes to financial statements.

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

	Program	Management and General	Fundraising	2014 Total	2013 Total
Salaries, payroll taxes and benefits	$ 6,846,054	$ 3,306,863	$ 890,224	$ 11,043,141	$ 11,947,956
Consultants and professional services	1,013,868	273,271	69,165	1,356,304	1,807,694
Other services	562,158	36,032	85,816	684,006	1,244,479
Occupancy, equipment and insurance	486,943	304,713	-	791,656	815,095
Travel	377,059	176,656	13,740	567,455	833,127
Supplies and postage	70,525	23,903	2,529	96,957	128,706
Telephone, web hosting and information technology	423,399	132,243	8,248	563,890	703,470
Recruitment and staff development	51,602	43,223	751	95,576	143,823
Grants to others	60,000	-	-	60,000	344,567
Other expenses	38,672	102,906	7,609	149,187	199,612
Total expenses	$ 9,930,280	$ 4,399,810	$ 1,078,082	$ 15,408,172	$ 18,168,529

See notes to financial statements.

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

	2014	2013
Cash flows from operating activities:		
Cash received from grantors, donors and others for operations	$ 18,790,801	$ 21,750,553
Cash paid to suppliers and employees	(15,522,249)	(17,857,282)
Net cash provided by operating activities	3,268,552	3,893,271
Cash flows from investing activities:		
Purchase of furniture and equipment	(20,000)	(62,111)
Net cash used in investing activities	(20,000)	(62,111)
Net increase in cash and cash equivalents	3,248,552	3,831,160
Cash and cash equivalents - beginning of year	10,463,325	6,632,165
Cash and cash equivalents - end of year	$ 13,711,877	$ 10,463,325
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 3,209,358	$ 4,294,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	100,540	159,360
Loss on disposal of furniture and equipment	3,451	4,469
(Increase) decrease in:		
Pledges receivable	164,447	(674,798)
Other receivables	8,824	(15,262)
Prepaid expenses and deposits	(39,525)	42,780
Due from Stand for Children, Inc.	(30,587)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(71,359)	(96,058)
Accrued payroll liabilities	166,964	243,006
Due to Stand for Children, Inc.	(243,561)	(64,366)
Net cash provided by operating activities	$ 3,268,552	$ 3,893,271

See notes to financial statements.

1. 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 Leadership Center, a private nonprofit organization incorporated in the District of Columbia in 1996 (at the time under the name of National Day of Commitment for Children), was established to organize the event and build on the momentum generated from it.

Stand for Children Leadership Center teaches everyday citizens to be community leaders on children's issues. Its mission is to develop citizen leaders who use the power of grassroots action to help all children get the excellent public education and strong support they need to thrive. In January 1999, Stand for Children, Inc., a grassroots membership nonprofit organization that advocates for programs that give children a fair chance in life, was formed. Governing control of these organizations is now independent, and operating agreements define their administrative and operational relationship. These financial statements present the accounts of Stand for Children Leadership Center (the Organization). The Organization's primary sources of funding are grants and contributions from foundations, corporations, and the general public.

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, through a formalized system of leadership training and mentoring, carried out by skilled organizing staff, to work together to make a real, lasting difference for our most vulnerable, precious citizens – our children.

Among the benefits the Organization provides to children are advocacy and educational efforts to support quality early education, teaching excellence, school leadership, reading by 4th grade, college and career readiness, quality schools for all children, and adequate and wisely spent school funding. While the Organization supports children's needs throughout the United States, the Organization focuses its efforts in strategically selected states. During 2014, the Organization had 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.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations. Includes an operating reserve established by the board of directors.

- 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Furniture and Equipment

Acquisitions of furniture and equipment in excess of $5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 5 years.

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 received approximately $49,000 of donated services during 2013 that are included in program expenses.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 $187,000 and $494,000 for the years ended December 31, 2014 and 2013, respectively.

Income Tax Status

Stand for Children Leadership Center is a nonprofit corporation exempt from income tax under section 501(c)(3) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

3. PLEDGES RECEIVABLE

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

	2014	2013
Receivable within one year	$ 1,542,809	$ 1,360,257
Receivable within two to five years	125,000	488,333
Total pledges receivable	1,667,809	1,848,590
Less discount for long-term pledges	5,100	21,434
Pledges receivable, net	$ 1,662,709	$ 1,827,156

Unconditional promises to give and grants receivable due in more than one year are reflected at the present value of estimated 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, annual installments are as follows:

	2014
Within one year	$ 797,500
Within two to five years	3,772,500
Total contingent grants	$ 4,570,000

Contingent pledges are not recorded as contributions revenue until the donor conditions are satisfied.

4. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31, 2014 and 2013:

	2014	2013
Office and computer equipment	$ 428,553	$ 428,553
Leasehold improvements	183,952	172,234
Computer software	7,890	7,890
Total furniture and equipment	620,395	608,677
Less accumulated depreciation and amortization	526,830	431,121
Furniture and equipment, net	$ 93,565	$ 177,556

Depreciation and amortization totaled $100,540 and $159,360 for the years ended December 31, 2014 and 2013, respectively.

5. LINE OF CREDIT

The Organization has a $500,000 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, deposit accounts, and equipment 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.

6. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Time restricted	$ -	$ 137,500
Purpose restricted:		
State operations	1,881,832	1,679,007
Stand UP	531,584	479,920
Common Core	173,594	982,299
Scholarships	115,631	138,697
Other purpose restricted	4,285,203	3,529,683
Total temporarily restricted net assets	$ 6,987,844	$ 6,947,106

7. LEASE COMMITMENTS

The Organization leases its office facilities in all states where it conducts business, and certain office equipment under various operating leases that expire through 2018. In addition, certain offices are leased on a month-to-month basis. The organization subleases portions of various offices under noncancelable agreements and one on a month-to-month basis.

Future minimum lease commitments under operating leases are as follows:

Year ending December 31, 2015	$ 623,500
2016	398,400
2017	200,700
2018	29,700
Total	$ 1,252,300

An irrevocable letter of credit of $26,469 was accepted as a security deposit by one of the Organization's landlords.

Rent expense totaled approximately $617,900, and equipment lease expense totaled approximately $87,500, for the year ended December 31, 2014. Rent expense totaled approximately $641,500, and equipment lease expense totaled approximately $84,700, for the year ended December 31, 2013. Rentals under the subleases totaled approximately $75,900 in 2014 and $72,500 in 2013.

8. TRANSACTIONS WITH AFFILIATED ORGANIZATION

Under a resource sharing agreement between the Organization and Stand for Children, Inc., the Organization is reimbursed by Stand for Children, Inc. for general and administrative costs on the basis of the proportion of staff hours spent on Stand for Children, Inc. activities. During 2014 and 2013, general and administrative cost share charges reimbursed by Stand for Children, Inc. 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
	$ 174,365	$ 201,167

8. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

In addition, the Organization is reimbursed by Stand for Children, Inc. for direct costs (primarily personnel) advanced. Total reimbursements from Stand for Children, Inc. under the direct cost reimbursement arrangements approximated $1,459,000 and $1,558,000, respectively, in 2014 and 2013.

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

As of December 31, 2014, advances and other amounts due from Stand for Children, Inc. approximated $30,600. As of December 31, 2013, advances and other amounts due to Stand for Children, Inc. approximated $243,600, under the operating agreements described above.

9. RETIREMENT PLAN

The Organization has established a defined contribution 401(k) retirement plan (the plan) covering essentially all regular employees with six months of service. Employer contributions are limited to a 4% match of employee elective contributions. Employees are fully vested upon entering the plan. Retirement expense for the years ended December 31, 2014 and 2013, totaled $224,199 and $213,890, respectively. In addition, for the years ended December 31, 2014 and 2013, approximately $24,200 and $22,700 in pension expense was incurred by and reimbursed to the Organization under the direct cost reimbursement arrangements between the Organization and Stand for Children, Inc.

In January 2013, the plan was amended to clarify definitions of temporary employees and when they may be eligible to participate. Prior to amending the plan, management identified that certain employees classified as temporary in prior years did not receive employer contributions as defined by the plan. The Organization filed and paid required fees as well as made required contributions under the Voluntary Correction Program during 2014. The Organization has responded to inquiry from the Internal Revenue Service (IRS) during 2014. As of the date of this report the Organization has not received any further communication from the IRS regarding any additional potential liability.

10. 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 were approximately $13,045,000 and $10,266,000 as of December 31, 2014 and 2013, respectively.

The Organization's revenues are concentrated with 25% of total revenues coming from two sources for the year ended December 31, 2014 (13% from one source in 2013). The Organization’s credit risk for pledges receivable is concentrated with 65% of the balances coming from three sources for the year ended December 31, 2014 and 2013.