

STAND FOR CHILDREN, INC.

Audited Financial Statements

For the Year Ended August 31, 2022



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stand for Children, Inc.

Opinion

We have audited the accompanying financial statements of Stand for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Stand for Children, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stand for Children, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Stand for Children, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stand for Children, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Stand for Children, Inc. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
December 19, 2022

STAND FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents:		
General operating	\$ 5,885,868	\$ 3,512,244
Political committee accounts	3,686,833	2,355,270
Pledges receivable, net	1,647,750	-
Accounts receivable	5,446	3,269
Prepaid expenses and deposits	57,490	60,141
Investments	1,416,710	1,447,467
 TOTAL ASSETS	 \$ 12,700,097	 \$ 7,378,391
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 695,667	\$ 409,964
Due to Stand for Children Leadership Center	138,161	31,938
Total liabilities	833,828	441,902
Net assets:		
Without donor restrictions:		
Undesignated	7,696,875	4,723,914
Board designated operating reserve	471,000	471,000
Total net assets without donor restrictions	8,167,875	5,194,914
With donor restrictions	3,698,394	1,741,575
Total net assets	11,866,269	6,936,489
 TOTAL LIABILITIES AND NET ASSETS	 \$ 12,700,097	 \$ 7,378,391

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2022
(With comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants and contributions	\$ 25,600,726	\$ 6,039,273	\$ 31,639,999	\$ 29,843,966
Investment and other income	(28,465)	-	(28,465)	8,021
Net assets released from purpose restrictions	4,082,454	(4,082,454)	-	-
Total support and revenue	29,654,715	1,956,819	31,611,534	29,851,987
Expenses:				
Program	26,006,637	-	26,006,637	30,159,156
Management and general	641,876	-	641,876	637,859
Fundraising	33,241	-	33,241	14,435
Total expenses	26,681,754	-	26,681,754	30,811,450
Change in net assets	2,972,961	1,956,819	4,929,780	(959,463)
Net assets:				
Beginning of year	5,194,914	1,741,575	6,936,489	7,895,952
End of year	\$ 8,167,875	\$ 3,698,394	\$ 11,866,269	\$ 6,936,489

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2022
(With comparative totals for 2021)

	2022			2021 Total	
	Program	Management and General	Fundraising		Total
Salaries, payroll taxes and benefits	\$ 1,292,205	\$ 522,210	\$ 27,090	\$ 1,841,505	\$ 1,877,976
Consultants and professional services	1,750,101	23,625	-	1,773,726	1,196,602
Other services	21,851,839	-	270	21,852,109	27,423,958
Occupancy, equipment and insurance	-	8,093	-	8,093	7,715
Travel	23,345	3,173	1,143	27,661	7,850
Supplies and postage	8,722	335	154	9,211	7,550
Telephone and technology	142,643	2,463	59	145,165	113,159
Grants to others	899,970	-	-	899,970	-
Other operating costs	37,812	81,977	4,525	124,314	176,640
 Total expenses	 <u>\$ 26,006,637</u>	 <u>\$ 641,876</u>	 <u>\$ 33,241</u>	 <u>\$ 26,681,754</u>	 <u>\$ 30,811,450</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the year ended August 31, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from grantors, donors and others	\$ 29,994,286	\$ 29,861,736
Cash paid to suppliers, employees and others	<u>(26,287,177)</u>	<u>(30,628,369)</u>
Net cash flows from operating activities	<u>3,707,109</u>	<u>(766,633)</u>
 Cash flows from investing activities:		
Proceeds from the sale of investments	400,000	2,000,000
Purchase of investments	<u>(401,922)</u>	<u>(739,692)</u>
Net cash flows from investing activities	<u>(1,922)</u>	<u>1,260,308</u>
 Net change in cash and cash equivalents	3,705,187	493,675
 Cash and cash equivalents - beginning of year	<u>5,867,514</u>	<u>5,373,839</u>
 Cash and cash equivalents - end of year	<u>\$ 9,572,701</u>	<u>\$ 5,867,514</u>
 Cash and cash equivalents:		
General operating	\$ 5,885,868	\$ 3,512,244
Political committee accounts	<u>3,686,833</u>	<u>2,355,270</u>
Total cash and cash equivalents	<u>\$ 9,572,701</u>	<u>\$ 5,867,514</u>

See notes to financial statements.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

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 2022, 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, 2022

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 \$3,685,833 and \$2,355,270 at August 31, 2022 and 2021, respectively, as reported on the statement of financial position.

Pledges and Accounts Receivable

Pledges and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the collection history with those having outstanding balances and current relationships with the donors, management has concluded that any uncollectible promises to give will be immaterial. Unconditional promises to give (pledges) 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, 2022

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 for donated services.

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 8, 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, 2022 and 2021.

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 740 *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.

Subsequent Events

The Organization has evaluated all subsequent events through December 19, 2022, the date the financial statements were available to be issued.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2022

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 2021

The financial information as of August 31, 2021 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 available for general expenditure consist of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,572,701	\$ 5,867,514
Pledges receivable, net	1,647,750	-
Accounts receivable	5,446	3,269
Investments	<u>1,416,710</u>	<u>1,447,467</u>
	12,642,607	7,318,250
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	3,698,394	1,741,575
Board designated operating reserve	<u>471,000</u>	<u>471,000</u>
Financial assets available for general expenditure	<u>\$ 8,473,213</u>	<u>\$ 5,105,675</u>

See Note 6 for information about the Organization's line of credit.

The board designated operating reserve is available for spending when approved by the board of directors (see Note 7).

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2022

4. PLEDGES AND ACCOUNTS RECEIVABLE

Pledges receivable represent unconditional promises to give as follows at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 963,000	\$ -
Due within two to five years	<u>713,000</u>	<u>-</u>
Total pledges receivable	1,676,000	-
Less discount for long-term pledges	<u>28,250</u>	<u>-</u>
Pledges receivable, net	<u>\$ 1,647,750</u>	<u>\$ -</u>

The discount rate on long-term pledges is 4%.

5. INVESTMENTS

Investments consist of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 116,321	\$ 147,570
Money market fund	-	36,850
US Treasury bonds	390,484	-
Corporate bonds - publicly traded	<u>909,905</u>	<u>1,263,047</u>
Total investments	<u>\$ 1,416,710</u>	<u>\$ 1,447,467</u>

6. 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 5% (prime rate was 5.5% and 3.25% as of August 31, 2022 and 2021, respectively). The line matures March 2023. There are no outstanding advances on the line at August 31, 2022 and 2021.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2022

7. NET ASSETS WITH DESIGNATIONS AND DONOR RESTRICTIONS

Board designated net assets totaling \$471,000 at August 31, 2022 and 2021 consist of funds designated by the board as an operating reserve based on two months of operating expenses. Funds are available for use when approved by the board of directors.

Net assets with donor restrictions at August 31, 2022 and 2021 consist of the following:

	2022	2021
Political committee accounts	\$ 1,310,694	\$ 1,216,575
Time restricted	1,887,700	-
Other purpose or location restriction	500,000	525,000
Total net assets with donor restrictions	\$ 3,698,394	\$ 1,741,575

8. 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 \$2,132,600 and \$2,064,200 for the years ended August 31, 2022 and 2021, 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, 2022 and 2021, 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:

	2022	2021
Consultants, accounting and legal	\$ 2,348	\$ 2,794
Other program services	8,682	12,832
Recruitment and staff development	3,721	3,457
Occupancy, equipment and insurance	33,711	66,751
Printing, supplies and postage	3,808	2,608
Telephone, web hosting and information technology	54,404	63,013
Other	2,839	3,680
Total cost-share charges	\$ 109,513	\$ 155,135

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2022

8. 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 each of the years ended August 31, 2022 and 2021, the Organization received \$340,000 from the Center pursuant to that agreement.

Advances and other amounts due to the Center approximated \$138,200 and \$31,900 as of August 31, 2022 and 2021, respectively, under the operating agreements described above.

9. 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 2022 and 2021 approximated \$47,500 and \$52,900, respectively.

10. 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 total approximately \$7.5 million and \$4.5 million at August 31, 2022 and 2021, respectively.

Credit risk for contributions receivable is concentrated at August 31, 2022, with 100% of the balance due from two individuals. The Organization's revenues are concentrated with 73% and 80% of total revenue coming from two sources for the years ended August 31, 2022 and 2021, 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.

STAND FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
August 31, 2022

11. 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, 2022 total \$25,375.

12. 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, 2022 and 2021 included:

	Fair Value	Level 1	Level 2
August 31, 2022			
Investments:			
US Treasury bonds	\$ 390,484	\$ -	\$ 390,484
Corporate bonds - publicly traded	909,905	-	909,905
August 31, 2021			
Investments:			
Money market fund	\$ 36,850	\$ 36,850	\$ -
Corporate bonds - publicly traded	1,263,047	-	1,263,047

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