

STAND FOR CHILDREN  
LEADERSHIP CENTER

Audited Financial Statements  
For the Year Ended August 31, 2019



MCDONALD JACOBS

## 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 August 31, 2019, 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 Leadership Center as of August 31, 2019, 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 Leadership Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
January 10, 2020

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF FINANCIAL POSITION  
August 31, 2019  
(With comparative totals for 2018)

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,038,041	\$ 11,836,725
Pledges receivable, net	146,250	673,400
Accrued interest income and other assets	30,937	35,169
Investments	7,876,866	7,738,845
Prepaid expenses and deposits	508,673	264,897
Due from Stand for Children, Inc.	64,500	107,755
Property and equipment, net	22,789	39,169
 TOTAL ASSETS	 \$ 20,688,056	 \$ 20,695,960
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 197,962	\$ 371,622
Accrued payroll and related liabilities	1,073,850	867,037
Deferred revenue	303,370	47,000
Total liabilities	1,575,182	1,285,659
Net assets:		
Net assets without donor restrictions:		
Undesignated	11,849,937	11,144,560
Board designated operating reserve	2,909,000	2,876,000
Total net assets without donor restrictions	14,758,937	14,020,560
Net assets with donor restrictions	4,353,937	5,389,741
Total net assets	19,112,874	19,410,301
 TOTAL LIABILITIES AND NET ASSETS	 \$ 20,688,056	 \$ 20,695,960

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF ACTIVITIES  
For the year ended August 31, 2019  
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Grants and contributions	\$ 7,506,076	\$ 8,827,793	\$ 16,333,869	\$ 16,879,663
Program revenue	422,130	-	422,130	285,260
Investment income	138,834	414	139,248	75,256
Other income	265,801	-	265,801	150,095
Net assets released from restrictions:				
Purpose restrictions	<u>9,864,011</u>	<u>(9,864,011)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,196,852</u>	<u>(1,035,804)</u>	<u>17,161,048</u>	<u>17,390,274</u>
<b>Expenses:</b>				
Program	12,894,172	-	12,894,172	12,427,612
Management and general	3,597,673	-	3,597,673	3,783,222
Fundraising	<u>966,630</u>	<u>-</u>	<u>966,630</u>	<u>1,042,888</u>
Total expenses	<u>17,458,475</u>	<u>-</u>	<u>17,458,475</u>	<u>17,253,722</u>
 Change in net assets	 738,377	 (1,035,804)	 (297,427)	 136,552
<b>Net assets:</b>				
Beginning of year	<u>14,020,560</u>	<u>5,389,741</u>	<u>19,410,301</u>	<u>19,273,749</u>
 End of year	 <u>\$ 14,758,937</u>	 <u>\$ 4,353,937</u>	 <u>\$ 19,112,874</u>	 <u>\$ 19,410,301</u>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended August 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, payroll taxes and benefits	\$ 8,755,154	\$ 2,900,648	\$ 822,460	\$ 12,478,262
Consultants and professional services	1,229,017	98,323	20,260	1,347,600
Other services	1,590,805	65,912	69,191	1,725,908
Occupancy, equipment and insurance	431,259	165,499	-	596,758
Travel	403,047	41,567	16,810	461,424
Supplies and postage	55,926	21,112	1,410	78,448
Telephone, web hosting and information technology	316,163	229,582	23,269	569,014
Recruitment and staff development	82,310	40,176	594	123,080
Other expenses	<u>30,491</u>	<u>34,854</u>	<u>12,636</u>	<u>77,981</u>
Total expenses	<u>\$ 12,894,172</u>	<u>\$ 3,597,673</u>	<u>\$ 966,630</u>	<u>\$ 17,458,475</u>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended August 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, payroll taxes and benefits	\$ 8,291,803	\$ 3,036,816	\$ 917,572	\$ 12,246,191
Consultants and professional services	2,014,740	170,819	5,600	2,191,159
Other services	803,810	13,637	64,806	882,253
Occupancy, equipment and insurance	436,018	167,111	-	603,129
Travel	421,533	112,450	24,912	558,895
Supplies and postage	47,260	17,084	1,480	65,824
Telephone, web hosting and information technology	322,095	203,585	17,712	543,392
Recruitment and staff development	22,729	47,246	1,641	71,616
Grants to others	40,291	-	-	40,291
Other expenses	<u>27,333</u>	<u>14,474</u>	<u>9,165</u>	<u>50,972</u>
 Total expenses	 <u>\$ 12,427,612</u>	 <u>\$ 3,783,222</u>	 <u>\$ 1,042,888</u>	 <u>\$ 17,253,722</u>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF CASH FLOWS  
For the year ended August 31, 2019  
(With comparative totals for 2018)

	2019	2018
<b>Cash flows from operating activities:</b>		
Cash received from grantors, donors and others	\$ 17,454,692	\$ 20,536,617
Cash paid to suppliers and employees	<u>(17,187,333)</u>	<u>(16,964,721)</u>
Net cash flows from operating activities	<u>267,359</u>	<u>3,571,896</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(6,900)
Net proceeds from certificates of deposit	3,830,000	-
Purchase of investments	<u>(3,896,043)</u>	<u>(7,783,319)</u>
Net cash flows from investing activities	<u>(66,043)</u>	<u>(7,790,219)</u>
Net change in cash and cash equivalents	201,316	(4,218,323)
Cash and cash equivalents - beginning of year	<u>11,836,725</u>	<u>16,055,048</u>
Cash and cash equivalents - end of year	<u><u>\$ 12,038,041</u></u>	<u><u>\$ 11,836,725</u></u>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2019

1. ORGANIZATION

On June 1, 1996, more than 300,000 people gathered in Washington, DC to attend the first Stand for Children Day, the largest rally for children in American history. Stand for Children Leadership Center (the Organization), 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 gathered from the rally.

The Organization is an education advocacy organization focused on ensuring all students receive a high quality, relevant education, especially those whose boundless potential is overlooked and under-tapped because of their skin color, zip code, first language, or disability.

The Organization advocates mainly at the state and local level for proven policies and funding, primarily focused on helping students reach make-or-break milestones of reading well by the end of third grade and graduating high school ready for college, career training, or career.

Through its work, the Organization ensures the changes fought for reach classrooms and directly support students. The Organization partners with parents to support their children's education journey and to become a strong advocate.

While the Organization supports children's needs throughout the United States, the Organization focuses its efforts in strategically selected states. During 2019, the Organization had staff in Arizona, Colorado, Illinois, Indiana, Louisiana, Massachusetts, Oregon, Tennessee, and Washington.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

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.
- *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.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the year 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 period-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 LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

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.

Investments

Investments are carried at fair value.

Property and Equipment

Acquisitions of property 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 and Amortization

Depreciation and amortization 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.

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 costs, consultants and professional services, other program services, occupancy, equipment and insurance, travel, supplies and postage, telephone, technology, recruitment and staff development, and other expenses which are allocated on the basis of actual hours worked by employees in each area.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Advertising

The Organization expenses advertising costs as these are incurred. Advertising expense totaled approximately \$41,500 and \$47,300, respectively, for the years ended August 31, 2019 and 2018.

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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other 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.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented except Note 3 on available resources and liquidity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through January 10, 2020, the date the financial statements were available to be issued.

Summarized Financial Information for 2018

The financial information as of August 31, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

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, 2019:

	Total Financial Assets	Board Designated	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 12,038,041	\$ -	\$ 4,213,937	\$ 7,824,104
Pledges receivable	146,250	-	140,000	6,250
Accrued interest income and other assets	30,937	-	-	30,937
Investments	7,876,866	2,909,000	-	4,967,866
Total financial assets	<u>\$ 20,092,094</u>	<u>\$ 2,909,000</u>	<u>\$ 4,353,937</u>	<u>\$ 12,829,157</u>

See Note 7 for information about the Organization's line of credit.

The board designated operating reserve is based on two months of operating expenses and is available for spending when approved by the board of directors.

4. PLEDGES RECEIVABLE

Pledges receivable are unsecured and represent unconditional promises to give as follows at August 31, 2019 and 2018:

	2019	2018
Receivable within one year	\$ 146,250	\$ 606,200
Receivable within two to five years	-	70,000
Total pledges receivable	146,250	676,200
Less discount for long-term pledges	-	2,800
Pledges receivable, net	<u>\$ 146,250</u>	<u>\$ 673,400</u>

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

4. PLEDGES RECEIVABLE, Continued

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 August 31, 2019, the Organization has received pledges contingent on the Organization meeting specific program or matching requirements. Contingent pledges are not recorded as contributions revenue until the donor conditions are satisfied. Provided the conditions are met, annual installments of the pledges are as follows:

Within one year	\$ 1,785,000
Within two to five years	<u>175,000</u>
Total contingent grants	<u><u>\$ 1,960,000</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2019 and 2018:

	2019	2018
Office and computer equipment	\$ 315,997	\$ 315,997
Leasehold improvements	225,067	225,067
Computer software	<u>7,890</u>	<u>7,890</u>
Total property and equipment	548,954	548,954
Less accumulated depreciation and amortization	<u>526,165</u>	<u>509,785</u>
Property and equipment, net	<u><u>\$ 22,789</u></u>	<u><u>\$ 39,169</u></u>

Depreciation and amortization totaled \$16,380 and \$16,377, respectively, for the years ended August 31, 2019 and 2018.

**STAND FOR CHILDREN LEADERSHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**August 31, 2019**

**6. INVESTMENTS**

Investments consist of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and money fund	\$ 1,912,873	\$ 1,566,506
Corporate bonds - publically traded	<u>5,963,993</u>	<u>6,172,339</u>
Total investments	<u>\$ 7,876,866</u>	<u>\$ 7,738,845</u>

**7. LINE OF CREDIT**

The Organization has a \$750,000 line of credit with a financial institution. Interest payments are due monthly on the outstanding balance at a variable rate, the greater of prime plus 1.5% or 5% (prime rate was 5.25% as of August 31, 2019). The line of credit is secured by all receivables, deposit accounts, and equipment of the Organization. The line matures June 2020. There were no outstanding advances on the line at August 31, 2019 and 2018.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
State operations	\$ 2,269,872	\$ 2,887,479
Scholarships	166,690	120,872
Other purpose restricted	<u>1,917,375</u>	<u>2,381,390</u>
Total net assets with donor restrictions	<u>\$ 4,353,937</u>	<u>\$ 5,389,741</u>

**9. SELF-FUNDED HEALTH INSURANCE**

During the year ended August 31, 2017, the Organization established self-funded employee health insurance. An estimated liability of approximately \$137,100 is recorded for claims incurred, including claims incurred but not yet reported as of August 31, 2019 (\$46,400 in 2018). The estimated liability for self-insurance is based on management's judgement, and assumptions and factors related to claims development history and the frequency and severity of claims.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

9. SELF-FUNDED HEALTH INSURANCE, Continued

The Organization limits its exposure and maintains insurance coverage with a third-party insurer to limit individual claims and total exposure under this program. For individual claims over \$75,000, the coverage is unlimited and total Organization's insurance policy covers claims over 125% of estimated annual claims. The ultimate settlement of health insurance claims may differ significantly from amounts accrued in the financial statements.

10. 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 July 2022. In addition, certain offices are leased on a month-to-month basis. The Organization subleased portions of various offices under non-cancelable agreements through September 2018.

Future minimum lease commitments under operating leases are as follows:

Year ending August 31, 2020	\$ 457,600
2021	366,500
2022	<u>146,600</u>
Total	<u>\$ 970,700</u>

Rent expense totaled approximately \$441,000 and equipment lease expense totaled approximately \$79,600, for the year ended August 31, 2019. For the year ended August 31, 2018, rent expense totaled approximately \$437,000 and equipment lease totaled approximately \$75,900. Rental income under subleases totaled approximately \$5,500 in both 2019 and 2018.

11. 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 direct costs (primarily personnel) advanced. Total reimbursements from Stand for Children, Inc. under the direct cost reimbursement arrangements approximated \$2,174,500 during the year ended August 31, 2019 and \$1,331,500 during the year ended August 31, 2018.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

11. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

In addition, 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 the years ended August 31, 2019 and 2018, general and administrative cost share charges reimbursed by Stand for Children, Inc. under this agreement are included in other income on the statement of activities and consisted of the following:

	2019	2018
Consultants, accounting and legal	\$ 4,301	\$ 2,809
Other program expenses	33,540	10,441
Recruitment and staff development	22,323	7,420
Occupancy, equipment and insurance	106,983	59,230
Printing, supplies and postage	10,888	5,178
Telephone, web hosting and information technology	75,433	51,780
Other	-	4,890
	<u>\$ 253,468</u>	<u>\$ 141,748</u>

Under a lobbying grant agreement between the Organization and Stand for Children, Inc., the Organization may grant funds each year to Stand for Children, Inc. to support its direct and grass roots lobbying on legislation of mutual concern to both organizations. During the year ended August 31, 2019, \$830,000 was granted by the Organization to Stand for Children, Inc. pursuant to that agreement. No funds were granted by the Organization under that agreement during the year ended August 31, 2018.

Advances and other amounts due from Stand for Children, Inc. approximated \$64,500, and \$107,800, respectively, as of August 31, 2019 and 2018 under the operating agreements described above.

12. RETIREMENT PLAN

The Organization has established a defined contribution 401(k) retirement plan (the plan) covering substantially all regular employees, with employees becoming eligible to receive matching contributions after 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 contributions for the years ended August 31, 2019 and 2018, totaled approximately \$287,500 and \$264,900, respectively. In addition, for the years ended August 31, 2019 and 2018, approximately \$47,800 and \$30,300, respectively, in retirement contributions were incurred by and reimbursed to the Organization under the direct cost reimbursement arrangements between the Organization and Stand for Children, Inc.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2019

13. 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 were approximately \$11,500,000 as of August 31, 2019 and 2018.

The Organization's revenues are concentrated with 39% of total revenue coming from two foundations for the year ended August 31, 2019 and 41% of total revenue coming from two foundations for the year ended August 31, 2018. The Organization's credit risk for pledges receivable is concentrated with 89% of the balances coming from two donors for the year ended August 31, 2019 and 61% of the balances from three donors for the year ended August 31, 2018.

14. 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, 2019 and 2018 included corporate bonds totaling \$5,963,993 and \$6,172,339, respectively, which are publically traded and classified as level 2. Fair values for corporate bonds, are determined by reference to quoted market prices and other relevant information generated by market transactions.