

STAND FOR CHILDREN  
LEADERSHIP CENTER

Audited Financial Statements  
For the Year Ended August 31, 2023



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Stand for Children Leadership Center

### Opinion

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, 2023, 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 Leadership Center as of August 31, 2023, 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 Leadership Center 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 Leadership Center'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 Leadership Center'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 Leadership Center'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 Leadership Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
January 9, 2024

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF FINANCIAL POSITION  
August 31, 2023  
(With comparative totals for 2022)

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,625,815	\$ 14,515,210
Accounts and grants receivable, net	7,301,246	5,867,062
Accrued interest income	115,104	119,174
Prepaid expenses, deposits and other assets	945,404	163,687
Due from Stand for Children, Inc.	1,344	138,161
Investments	34,821,707	28,900,443
Right-of-use assets	357,366	-
Property and equipment, net	-	1,150
 TOTAL ASSETS	 \$ 53,167,986	 \$ 49,704,887
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 313,514	\$ 142,583
Accrued payroll and related liabilities	1,601,023	1,493,241
Deferred revenue	345,742	87,423
Operating lease liabilities	363,543	-
Total liabilities	2,623,822	1,723,247
Net assets:		
Net assets without donor restrictions:		
Undesignated	14,100,735	13,741,364
Board designated Impact Fund	23,079,861	22,616,403
Total net assets without donor restrictions	37,180,596	36,357,767
Net assets with donor restrictions	13,363,568	11,623,873
Total net assets	50,544,164	47,981,640
 TOTAL LIABILITIES AND NET ASSETS	 \$ 53,167,986	 \$ 49,704,887

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF ACTIVITIES  
For the year ended August 31, 2023  
(With comparative totals for 2022)

	2023				2022 Total
	Without Donor Restrictions		With Donor		
	Operations	Impact Fund	Restrictions	Total	
<b>Support and revenue:</b>					
Contributions and grants	\$ 3,413,343	\$ -	\$ 11,681,220	\$ 15,094,563	\$ 36,886,043
Program revenue	4,190,107	-	-	4,190,107	3,520,083
Investment income (loss)	805,551	463,458	-	1,269,009	(133,052)
Other income	119,218	-	-	119,218	109,712
Net assets released from purpose and time restrictions	<u>9,941,525</u>	<u>-</u>	<u>(9,941,525)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,469,744</u>	<u>463,458</u>	<u>1,739,695</u>	<u>20,672,897</u>	<u>40,382,786</u>
<b>Expenses:</b>					
Program	13,451,608	-	-	13,451,608	13,154,986
Management and general	3,992,127	-	-	3,992,127	3,690,190
Fundraising	666,638	-	-	666,638	644,255
Total expenses	<u>18,110,373</u>	<u>-</u>	<u>-</u>	<u>18,110,373</u>	<u>17,489,431</u>
Change in net assets	359,371	463,458	1,739,695	2,562,524	22,893,355
<b>Net assets:</b>					
Beginning of year	<u>13,741,364</u>	<u>22,616,403</u>	<u>11,623,873</u>	<u>47,981,640</u>	<u>25,088,285</u>
End of year	<u>\$ 14,100,735</u>	<u>\$ 23,079,861</u>	<u>\$ 13,363,568</u>	<u>\$ 50,544,164</u>	<u>\$ 47,981,640</u>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended August 31, 2023  
(With comparative totals for 2022)

	2023				2022 Total
	Program	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 10,252,562	\$ 3,200,486	\$ 550,910	\$ 14,003,958	\$ 14,336,061
Consultants and professional services	1,235,010	247,132	19,137	1,501,279	908,619
Other services	510,691	4,025	57,228	571,944	460,988
Occupancy, equipment and insurance	112,774	158,870	-	271,644	328,792
Travel	285,871	14,726	6,126	306,723	143,652
Supplies and postage	41,791	15,955	5,985	63,731	48,851
Telephone, web hosting and information technology	282,501	265,346	19,629	567,476	608,696
Recruitment and staff development	710,060	64,981	-	775,041	36,663
Grants to others	2,578	-	-	2,578	558,742
Other expenses	17,770	20,606	7,623	45,999	58,367
 Total expenses	 <u>\$ 13,451,608</u>	 <u>\$ 3,992,127</u>	 <u>\$ 666,638</u>	 <u>\$ 18,110,373</u>	 <u>\$ 17,489,431</u>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
STATEMENT OF CASH FLOWS  
For the year ended August 31, 2023  
(With comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Cash received from grantors, donors and others	\$ 19,144,924	\$ 37,940,050
Cash paid to suppliers and employees	(18,454,777)	(17,185,583)
Cash paid for operating leases	(194,861)	-
Net cash flows from operating activities	<u>495,286</u>	<u>20,754,467</u>
<b>Cash flows from investing activities:</b>		
Net proceeds from investments	67,842,407	7,165,000
Purchase of investments	(73,227,088)	(27,666,428)
Net cash flows from investing activities	<u>(5,384,681)</u>	<u>(20,501,428)</u>
Net change in cash and cash equivalents	(4,889,395)	253,039
Cash and cash equivalents - beginning of year	<u>14,515,210</u>	<u>14,262,171</u>
Cash and cash equivalents - end of year	<u>\$ 9,625,815</u>	<u>\$ 14,515,210</u>
<b>Supplemental cash flow information:</b>		
Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	\$ 537,771	\$ -

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023

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 a unique catalyst for education equity and racial justice and works to create a brighter future for all.

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 2023, the Organization had staff in Arizona, Colorado, Illinois, Indiana, Louisiana, 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.

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 LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

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.

Accounts and Grants Receivable

Contributions and grants 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 promises to give will be immaterial. Unconditional grants 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. Adjustments to the discount are included in contribution support.

Investments

Investments are carried at fair value.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases, Continued

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

Revenue Recognition

Revenues from various sources are recognized as follows:

**Contributions and Grants:** Contributions and grants, 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.

**Program Revenue:** Revenues from program work are recognized over the period in which the programs and other activities are provided. Deferred revenue represents advanced payments for programs that relate to the following year (see Note 11).

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

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

Advertising

The Organization expenses advertising costs as these are incurred. Advertising expense totaled approximately \$29,000 in each of the years ended August 31, 2023 and 2022.

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 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.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Standard

Effective September 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities totaling \$537,771 in its statement of financial position as of September 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended August 31, 2023.

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 9, 2024, the date the financial statements were available to be issued.

Summarized Financial Information for 2022

The financial information as of August 31, 2022 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.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets available for general expenditure consist of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,625,815	\$ 14,515,210
Accounts and grants receivable, net	7,301,246	5,867,062
Accrued interest income	115,104	119,174
Investments	<u>34,821,707</u>	<u>28,900,443</u>
	51,863,872	49,401,889
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	13,363,568	11,623,873
Board designated Impact Fund	<u>23,079,861</u>	<u>22,616,403</u>
Financial assets available for general expenditure	<u>\$ 15,420,443</u>	<u>\$ 15,161,613</u>

See Note 8 for information about other financial resources available through the Organization's line of credit.

The board designated Impact Fund is available for spending when approved by the board of directors (see Note 10).

4. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are unsecured and consist of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give:		
Receivable within one year	\$ 5,239,000	\$ 3,245,500
Receivable within two to five years	2,100,000	2,558,000
Other accounts receivable	<u>42,246</u>	<u>165,882</u>
Total accounts and grants receivable	7,381,246	5,969,382
Less discount for long-term receivables	<u>80,000</u>	<u>102,320</u>
Accounts and grants receivable, net	<u>\$ 7,301,246</u>	<u>\$ 5,867,062</u>

At August 31, 2023, \$6.4 million is receivable from two donors (\$4.8 million due from one donor in 2022.).

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

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

4. ACCOUNTS AND GRANTS RECEIVABLE, Continued

As of August 31, 2023 and 2022, the Organization has received promises to give contingent on the Organization meeting specific program or matching requirements. Conditional contributions have not been recognized in the accompanying statement of activities because the conditions on which they depend have not been met. Provided the conditions are met, annual installments of the promises to give are as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 1,025,000	\$ 2,270,000
Within two to five years	-	110,000
Total conditional promises to give	<u>\$ 1,025,000</u>	<u>\$ 2,380,000</u>

5. INVESTMENTS

Investments consist of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 521,188	\$ 99,883
Money market funds	1,320,652	664,443
U.S. Treasury bonds	9,158,636	21,916,750
Corporate bonds - publicly traded	11,583,984	6,219,367
Mutual and index funds	3,493,808	-
Exchange traded funds	8,743,439	-
Total investments	<u>\$ 34,821,707</u>	<u>\$ 28,900,443</u>

6. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. Right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from these leases. ROU assets and lease liabilities, all of which arise from operating leases, are calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for office space and equipment with remaining lease terms of 2 months to 3 years.

The office lease agreement includes provisions for variable rent payments, which are adjusted periodically for inflation. The Organization also has short-term leases for various state office facilities where it conducts business, a postage meter, and storage space.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

6. OPERATING LEASES, Continued

The statement of financial position reflects ROU assets of \$357,366 and operating lease liabilities of \$363,543 as of August 31, 2023.

The weighted-average remaining lease term for the Organization's operating leases is approximately 2.5 years as of August 31, 2023. The weighted-average discount rate applied to calculate lease liabilities as of August 31, 2023 is 5%.

The maturities of operating lease liabilities as of August 31, 2023 are as follows:

Year ending August 31, 2024	\$	175,740
2025		115,382
2026		83,069
2027		13,946
		388,137
Less discount/interest		(24,594)
Present value of lease liabilities	\$	363,543

For the year ended August 31, 2023, total operating lease cost of approximately \$198,500, and total short-term lease cost of approximately \$25,900 are included in rent and equipment leases.

Rent expense under FASB ASC Topic 840, *Leases*, (pre-adoption of the new standards) for operating leases totaled \$266,700 for the year ended August 31, 2022. The aggregate minimum lease payments under those operating leases as of August 31, 2022, were as follows:

Year ending August 31, 2023	\$	203,900
2024		178,900
2025		92,300
2026		83,300
2027		13,900
Total	\$	572,300



STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2023 and 2022:

	2023	2022
Office and computer equipment	\$ 315,997	\$ 315,997
Leasehold improvements	225,067	225,067
Computer software	7,890	7,890
Total property and equipment	548,954	548,954
Less accumulated depreciation and amortization	548,954	547,804
Property and equipment, net	\$ -	\$ 1,150

Depreciation and amortization totaled \$1,150 and \$1,380 for the years ended August 31, 2023 and 2022, respectively.

8. LINE OF CREDIT

The Organization has a \$750,000 unsecured line of credit with a financial institution. Interest payments are due monthly on outstanding advances at a variable rate, the greater of prime rate less .5% or 3.25% (prime rate was 8% and 5.50% as of August 31, 2023 and 2022, respectively). The line matures March 2024. There are no outstanding advances on the line at August 31, 2023 and 2022.

9. SELF-FUNDED HEALTH INSURANCE

The Organization was self-funded for employee health insurance until December 2022. An estimated liability of approximately \$359,800 is recorded for claims incurred, including claims incurred but not yet reported as of August 31, 2023 (\$287,100 for 2022). 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 as well as the recommendations of the plan administrator. The run-out period for the plan ends June 30, 2024.

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.



STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

10. NET ASSETS WITH DESIGNATIONS AND DONOR RESTRICTIONS

Board designated net assets totaling \$23,079,861 and \$22,616,403 at August 31, 2023 and 2022, respectively, consist of funds designated by the board as an Impact Fund. The Impact Fund has three purposes; fund high-leverage initiatives, support identified operating expenses, and serve as a long-term cash reserve.

Net assets with donor restrictions consist of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 8,941,000	\$ 6,391,747
Purpose restricted:		
State operations	1,909,997	1,791,249
Scholarships	382,284	339,670
Program	2,128,887	2,511,902
Other purpose restricted	<u>1,400</u>	<u>589,305</u>
Total net assets with donor restrictions	<u>\$ 13,363,568</u>	<u>\$ 11,623,873</u>

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statements of financial position. Revenue from customers is recognized as follows:

	<u>2023</u>	<u>2022</u>
Revenue recognized over time:		
Family resources and student advocacy	\$ 132,061	\$ 505,083
Center for High School Success	<u>4,058,046</u>	<u>3,015,000</u>
Total revenue from contracts with customers	<u>\$ 4,190,107</u>	<u>\$ 3,520,083</u>

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2023

**II. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued**

The beginning and ending contract balances are as follows:

	2023	2022	2021
Accounts receivable (contract asset):			
Center for High School Success	<u>\$ 41,220</u>	<u>\$ 165,000</u>	<u>\$ -</u>
Deferred revenue (contract liability):			
Family resources and student advocacy	\$ -	\$ 76,923	\$ -
Center for High School Success	<u>345,742</u>	<u>10,500</u>	<u>20,001</u>
Total deferred revenue	<u>\$ 345,742</u>	<u>\$ 87,423</u>	<u>\$ 20,001</u>

Revenue recognized for the years ended August 31, 2023 and 2022 that was included in the contract liability balance at the beginning of each year was \$87,423 and \$20,001, respectively.

**12. RETIREMENT PLAN**

The Organization has 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, 2023 and 2022, totaled approximately \$322,600 and \$347,000, respectively. In addition, for the years ended August 31, 2023 and 2022, approximately \$50,700 and \$47,500, 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.

**13. 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 \$2,206,100 during the year ended August 31, 2023 and \$2,132,600 during the year ended August 31, 2022.

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.

STAND FOR CHILDREN LEADERSHIP CENTER  
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August 31, 2023

13. TRANSACTIONS WITH AFFILIATED ORGANIZATION, Continued

During the years ended August 31, 2023 and 2022, 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:

	2023	2022
Consultants, accounting and legal	\$ -	\$ 2,348
Other program expenses	2,955	8,682
Recruitment and staff development	7,918	3,721
Occupancy, equipment and insurance	32,769	33,711
Printing, supplies and postage	3,991	3,808
Telephone, web hosting and information technology	59,189	54,404
Other	11,774	2,839
Total cost-share charges	\$ 118,596	\$ 109,513

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 years ended August 31, 2023 and 2022, amounts of \$400,000 and \$340,000, respectively, were granted by the Organization to Stand for Children, Inc. pursuant to that agreement.

Advances and other amounts due from Stand for Children, Inc. approximated \$1,300 and \$138,200, respectively, as of August 31, 2023 and 2022 under the operating agreements described above.

14. 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 \$9.5 million and \$14.3 million as of August 31, 2023 and 2022, respectively.

The Organization's revenues are concentrated with 37% of total revenue coming from one donor for the year ended August 31, 2023 and 68% of total revenue coming from two donors for the year ended August 31, 2022.

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.

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15. COMMITMENTS

Under contracts with various agencies for professional services, the Organization has committed to reimburse expenses up to contracted maximum amounts. Amounts committed but not yet recorded as of August 31, 2023 total approximately \$73,500.

16. 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, 2023 and 2022 included:

	Fair Value	Level 1	Level 2
<b>August 31, 2023</b>			
Money market funds	\$ 1,320,652	\$ 1,320,652	\$ -
U.S. Treasury bonds	9,158,636	9,158,636	-
Corporate bonds - publicly traded	11,583,984	-	11,583,984
Mutual and index funds	3,493,808	3,493,808	
Exchange traded funds	8,743,439	8,743,439	
<b>August 31, 2022</b>			
Money market funds	664,443	664,443	-
U.S. Treasury bonds	21,916,750	21,916,750	-
Corporate bonds - publicly traded	6,219,367	-	6,219,367

Fair values for money market, mutual, index and exchange traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for investments in corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.