

STAND FOR CHILDREN  
LEADERSHIP CENTER

Audited Financial Statements  
For the Year Ended August 31, 2022



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, 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 Leadership Center 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 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 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 Jacobson, P.C.*

Portland, Oregon  
January 9, 2023

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

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,515,210	\$ 14,262,171
Accounts and grants receivable, net	5,867,062	3,014,600
Accrued interest income	119,174	22,736
Prepaid expenses, deposits and other assets	163,687	204,901
Due from Stand for Children, Inc.	138,161	31,938
Investments	28,900,443	8,837,757
Property and equipment, net	1,150	2,530
 TOTAL ASSETS	 \$ 49,704,887	 \$ 26,376,633
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 142,583	\$ 93,285
Accrued payroll and related liabilities	1,493,241	1,175,062
Deferred revenue	87,423	20,001
Total liabilities	1,723,247	1,288,348
Net assets:		
Net assets without donor restrictions:		
Undesignated	13,741,364	13,694,864
Board designated Impact Fund	22,616,403	2,591,000
Total net assets without donor restrictions	36,357,767	16,285,864
Net assets with donor restrictions	11,623,873	8,802,421
Total net assets	47,981,640	25,088,285
 TOTAL LIABILITIES AND NET ASSETS	 \$ 49,704,887	 \$ 26,376,633

See notes to financial statements.

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

	2022			Total	2021 Total
	Without Donor Restrictions Operations	Impact Fund	With Donor Restrictions		
<b>Support and revenue:</b>					
Contributions and grants	\$ 2,500,858	\$ 20,000,000	\$ 14,385,185	\$ 36,886,043	\$ 20,027,174
Program revenue	3,520,083		-	3,520,083	618,982
Investment income (loss)	(158,455)	25,403	-	(133,052)	(6,566)
Other income	109,712	-	-	109,712	165,238
Paycheck Protection Program loan forgiven	-	-	-	-	1,491,485
Net assets released from purpose and time restrictions	11,563,733	-	(11,563,733)	-	-
<b>Total support and revenue</b>	<u>17,535,931</u>	<u>20,025,403</u>	<u>2,821,452</u>	<u>40,382,786</u>	<u>22,296,313</u>
<b>Expenses:</b>					
Program	13,154,986	-	-	13,154,986	11,585,136
Management and general	3,690,190	-	-	3,690,190	3,353,126
Fundraising	644,255	-	-	644,255	623,622
<b>Total expenses</b>	<u>17,489,431</u>	<u>-</u>	<u>-</u>	<u>17,489,431</u>	<u>15,561,884</u>
 Change in net assets	 46,500	 20,025,403	 2,821,452	 22,893,355	 6,734,429
<b>Net assets:</b>					
Beginning of year	<u>13,694,864</u>	<u>2,591,000</u>	<u>8,802,421</u>	<u>25,088,285</u>	<u>18,353,856</u>
 End 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>

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
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	\$ 10,627,780	\$ 3,133,034	\$ 575,247	\$ 14,336,061	\$ 12,327,106
Consultants and professional services	803,891	104,728	-	908,619	1,243,512
Other services	419,751	2,794	38,443	460,988	177,950
Occupancy, equipment and insurance	215,194	113,598	-	328,792	500,975
Travel	138,097	3,055	2,500	143,652	38,470
Supplies and postage	30,041	15,755	3,055	48,851	54,901
Telephone, web hosting and information technology	331,271	261,081	16,344	608,696	593,483
Recruitment and staff development	5,034	31,614	15	36,663	25,801
Grants to others	558,742	-	-	558,742	511,099
Other expenses	25,185	24,531	8,651	58,367	88,587
 Total expenses	 <u>\$ 13,154,986</u>	 <u>\$ 3,690,190</u>	 <u>\$ 644,255</u>	 <u>\$ 17,489,431</u>	 <u>\$ 15,561,884</u>

See notes to financial statements.

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

	2022	2021
<b>Cash flows from operating activities:</b>		
Cash received from grantors, donors and others	\$ 37,940,050	\$ 18,311,588
Cash paid to suppliers and employees	<u>(17,185,583)</u>	<u>(15,736,748)</u>
Net cash flows from operating activities	<u>20,754,467</u>	<u>2,574,840</u>
<b>Cash flows from investing activities:</b>		
Net proceeds from investments	7,165,000	4,850,000
Purchase of investments	<u>(27,666,428)</u>	<u>(4,955,545)</u>
Net cash flows from investing activities	<u>(20,501,428)</u>	<u>(105,545)</u>
Net change in cash and cash equivalents	253,039	2,469,295
Cash and cash equivalents - beginning of year	<u>14,262,171</u>	<u>11,792,876</u>
Cash and cash equivalents - end of year	<u>\$ 14,515,210</u>	<u>\$ 14,262,171</u>

**Non-Cash Financing Activity:**

During the year ended August 31, 2021, the Paycheck Protection Program loan was forgiven in full and \$1,491,485 was recognized as revenue.

See notes to financial statements.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2022

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 2022, 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, 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.

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.

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.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 12).

**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 \$29,400 and \$18,600 for the years ended August 31, 2022 and 2021, respectively.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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 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.

Future Accounting Standard

Effective for financial statements for the year ending August 31, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

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, 2023, the date the financial statements were available to be issued.

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.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

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	\$ 14,515,210	\$ 14,262,171
Accounts and grants receivable, net	5,701,180	3,014,600
Accrued interest income	119,174	22,736
Investments	<u>28,900,443</u>	<u>8,837,757</u>
	49,236,007	26,137,264
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	11,623,873	8,802,421
Board designated Impact Fund	<u>22,616,403</u>	<u>2,591,000</u>
Financial assets available for general expenditure	<u>\$ 14,995,731</u>	<u>\$ 14,743,843</u>

See Note 7 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 9).

4. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are unsecured and represent unconditional promises to give as follows at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Receivable within one year	\$ 3,411,382	\$ 2,885,000
Receivable within two to five years	<u>2,558,000</u>	<u>135,000</u>
Total accounts and grants receivable	5,969,382	3,020,000
Less discount for long-term receivables	<u>102,320</u>	<u>5,400</u>
Accounts and grants receivable, net	<u>\$ 5,867,062</u>	<u>\$ 3,014,600</u>

At August 31, 2022, \$4.8 million is receivable from one donor (\$2 million due from a different donor in 2021.) Contract assets (accounts receivable) totaling \$165,000 at August 31, 2022 are included in amounts receivable within one year.

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

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

4. ACCOUNTS AND GRANTS RECEIVABLE, Continued

As of August 31, 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>2022</u>
Within one year	\$ 2,270,000
Within two to five years	<u>110,000</u>
Total conditional promises to give	<u><u>\$ 2,380,000</u></u>

5. INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 99,883	\$ 23,690
Money market funds	664,443	1,426,626
U.S. Treasury bonds	21,916,750	-
Corporate bonds - publicly traded	6,219,367	4,989,155
Index fund - fixed income	-	2,398,286
Total investments	<u><u>\$ 28,900,443</u></u>	<u><u>\$ 8,837,757</u></u>

6. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
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>547,804</u>	<u>546,424</u>
Property and equipment, net	<u><u>\$ 1,150</u></u>	<u><u>\$ 2,530</u></u>

Depreciation and amortization totaled \$1,380 and \$3,880 for the years ended August 31, 2022 and 2021, respectively.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

7. LINE OF CREDIT

The Organization has a \$750,000 unsecured line of credit with a financial institution. Interest payments are due monthly on the outstanding balance at a variable rate, the greater of prime rate less .5% or 3.25% (prime rate was 5.50% 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.

8. NOTE PAYABLE

The Organization received a Paycheck Protection Program (PPP) loan of \$1,478,000 guaranteed by the Small Business Administration (SBA) in April 2020, which accrues interest at 1%. The loan may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the loan will be recognized as a gain from extinguishment of debt. Management recorded the loan based on the original terms of the loan. In August 2021, the Organization received notice that of the loan and accrued interest were forgiven in full and the amounts have been recognized as revenue.

9. NET ASSETS WITH DESIGNATIONS AND DONOR RESTRICTIONS

Board designated net assets totaling \$22,616,403 and \$2,591,000 at August 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Time restricted	\$ 6,391,747	\$ 5,119,300
Purpose restricted:		
State operations	1,791,249	1,893,714
Scholarships	339,670	283,485
Program	2,511,902	886,334
Other purpose restricted	589,305	619,588
Total net assets with donor restrictions	\$ 11,623,873	\$ 8,802,421

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

10. SELF-FUNDED HEALTH INSURANCE

The Organization is self-funded for employee health insurance. An estimated liability of approximately \$287,100 is recorded for claims incurred, including claims incurred but not yet reported as of August 31, 2022 (\$91,400 for 2021). 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.

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.

11. 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 November 2026. In addition, certain offices are leased on a month-to-month basis.

Rent expense totaled approximately \$194,000 and equipment lease expense totaled approximately \$72,700, for the year ended August 31, 2022. For the year ended August 31, 2021, rent expense totaled approximately \$360,000 and equipment lease totaled approximately \$73,400.

Approximate future minimum lease commitments under operating leases are as follows:

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

12. 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.



STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

12. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

Revenue from customers is recognized as follows:

	2022	2021
Revenue recognized over time:		
Family resources and student advocacy	\$ 505,083	\$ 323,982
Center for High School Success	3,015,000	295,000
Total revenue from contracts with customers	\$ 3,520,083	\$ 618,982

The beginning and ending contract balances are as follows:

	2022	2021	2020
Accounts receivable (contract asset):			
Center for High School Success	\$ 165,000	\$ -	\$ -
Deferred revenue (contract liability):			
Family resources and student advocacy	\$ 76,923	\$ -	\$ 166,667
Center for High School Success	10,500	20,001	-
Total deferred revenue	\$ 87,423	\$ 20,001	\$ 166,667

Revenue recognized for the years ended August 31, 2022 and 2021 that was included in the contract liability balance at the beginning of each year was \$20,001 and \$166,667, respectively.

13. 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, 2022 and 2021, totaled approximately \$347,000 and \$314,900, respectively. In addition, for the years ended August 31, 2022 and 2021, approximately \$47,500 and \$52,900, 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, 2022

14. 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 \$2,132,600 during the year ended August 31, 2022 and \$2,064,200 during the year ended August 31, 2021.

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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Consultants, accounting and legal	\$ 2,348	\$ 2,794
Other program expenses	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	<u>2,839</u>	<u>3,680</u>
Total cost-share charges	<u>\$ 109,513</u>	<u>\$ 155,135</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 each of the years ended August 31, 2022 and 2021, \$340,000 was granted by the Organization to Stand for Children, Inc. pursuant to that agreement.

Advances and other amounts due from Stand for Children, Inc. approximated \$138,200 and \$31,900, respectively, as of August 31, 2022 and 2021 under the operating agreements described above.

STAND FOR CHILDREN LEADERSHIP CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
August 31, 2022

15. 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 \$14.3 million and \$14 million as of August 31, 2022 and 2021, respectively.

The Organization's revenues are concentrated with 68% of total revenue coming from two donors for the year ended August 31, 2022 and 38% of total revenue coming from two donors for the year ended August 31, 2021.

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.

16. 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, 2022 total approximately \$36,750.

17. 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.

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17. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at August 31, 2022 and 2021 included:

	Fair Value	Level 1	Level 2
<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
<b>August 31, 2021</b>			
Money market funds	1,426,626	1,426,626	-
Corporate bonds - publicly traded	4,989,155	-	4,989,155
Index fund - fixed income	2,398,286	2,398,286	-

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