SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.

AUDITED FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

WATSONRICE LLP
CERTIFIED PUBLIC ACCOUNTANTS

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
AUGUST 31, 2019 AND 2018

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sponsors for Educational Opportunity, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Sponsors for Educational Opportunity, Inc., which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 entity'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 entity'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.

INDEPENDENT AUDITOR’S REPORT – CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sponsors for Educational Opportunity, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Watson Rice LLP

New York, New York
April 15, 2020

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents (Note 3)	$ 6,981,959	$ 6,291,987
Contributions receivable, net (Note 4)	7,254,732	6,253,735
Partner receivable	1,045,560	195,400
Grants receivable (Note 6)	41,656	1,610,610
Other current assets (Note 15)	979,326	835,949
Investments (Notes 7 and 8)	14,518,341	13,335,839
Prepaid expenses	408,053	277,759
Property, furniture and equipment, net (Note 9)	7,667,085	8,028,834
Total Assets	$ 38,896,712	$ 36,830,113
Liabilities and Net Assets		
Liabilities		
Accounts Payable and accrued expenses	$ 1,149,079	$ 1,204,274
Other current liabilities (Note 15)	940,939	764,133
Total Liabilities	2,090,018	1,968,407
Net Assets		
Without donor restrictions		
Net investment in property, furniture and equipment	7,667,084	8,028,834
Designated by the Board for endowment (Note 12)	10,526,821	10,012,614
Designated by the Board for Scholar's Expansion Fund	7,190,934	5,570,186
Designated by the Board for operating reserve	2,000,000	2,000,000
	27,384,839	25,611,634
With donor restrictions		
Purpose restrictions	8,611,855	8,440,072
Perpetual in nature	810,000	810,000
	9,421,855	9,250,072
Total Net Assets	36,806,694	34,861,706
Total Liabilities and Net Assets	$ 38,896,712	$ 36,830,113

See notes to financial statements.

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions and grant (Notes 6 and 13)	$ 13,055,850	$ 6,020,697	$ 19,076,547
Special events, net of direct costs (Note 14)	6,459,752	-	6,459,752
In-kind contributions (Note 10)	2,400,711	-	2,400,711
Net investment return (Note 7)	493,599	113,907	607,506
Net assets released from restrictions	5,962,821	(5,962,821)	-
Total Revenues and Other Support	28,372,733	171,783	28,544,516
Expenses			
Program services	22,270,414	-	22,270,414
Supporting services:			
Management and general	2,707,910	-	2,707,910
Development	1,621,204	-	1,621,204
Total Expenses	26,599,528	-	26,599,528
Changes in Net Assets (Note 13)	1,773,205	171,783	1,944,988
Net Assets, Beginning of Year	25,611,634	9,250,072	34,861,706
Net Assets, End of Year	$ 27,384,839	$ 9,421,855	$ 36,806,694

See notes to financial statements.

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions and grant (Notes 6 and 13)	$ 11,537,870	$ 1,296,257	$ 12,834,127
Special events, net of direct costs (Note 14)	6,217,314	-	6,217,314
In-kind contributions (Note 10)	2,320,167	-	2,320,167
Net investment return (Note 7)	1,040,163	234,501	1,274,664
Net assets released from restrictions	4,110,719	(4,110,719)	-
Total Revenues and Other Support	25,226,233	(2,579,961)	22,646,272
Expenses			
Program services	19,171,086	-	19,171,086
Supporting services:			
Management and general	1,882,861	-	1,882,861
Development	1,715,874	-	1,715,874
Total Expenses	22,769,821	-	22,769,821
Changes in Net Assets (Note 13)	2,456,412	(2,579,961)	(123,549)
Net Assets, Beginning of Year	23,155,222	11,830,033	34,985,255
Net Assets, End of Year	$ 25,611,634	$ 9,250,072	$ 34,861,706

See notes to financial statements.

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

		Supporting Services		
	Program Services	Management/ General	Development	Total
Salaries	$10,151,023	$ 1,154,185	$ 842,081	$12,147,289
Payroll taxes and benefits	2,371,212	294,633	218,047	2,883,892
Contractor and consultant services and Other professional services	2,684,410	469,067	459,789	3,613,266
Scholarship, stipends and grants	1,052,180			1,052,180
Printing	123,825	16,497	31,299	171,621
Travel and conferences	1,792,876	56,817	26,039	1,875,732
Property maintenance fees	586,350	153,589	3,491	743,430
Postage and shipping	34,617	4,133	16,474	55,224
Telephone	119,024	41,886	7,398	168,308
Supplies	284,266	30,845	2,090	317,201
Equipment maintenance	326,193	115,232	4,780	446,205
Miscellaneous	124,376	44,674	4,204	173,254
In-kind space (Note 10)	1,486,382	18,993	-	1,505,375
In-kind services (Note 10)	825,000	70,336	-	895,336
Total Expenses Before Depreciation	21,961,734	2,470,887	1,615,692	26,048,313
Depreciation	308,680	237,023	5,512	551,215
Total Expenses	$22,270,414	$ 2,707,910	$ 1,621,204	$26,599,528

See notes to financial statements.

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

		Supporting Services		
	Program Services	Management/ General	Development	Total
Salaries	$ 8,848,861	$ 1,063,393	$ 868,036	$10,780,290
Payroll taxes and benefits	2,206,574	145,315	273,356	2,625,245
Contractor and consultant services and Other professional services	1,958,421	168,787	305,952	2,433,160
Scholarship, stipends and grants	918,384	-	-	918,384
Printing	126,390	17,969	51,676	196,035
Travel and conferences	1,384,525	22,585	31,895	1,439,005
Property maintenance fees	577,013	52,291	33,876	663,180
Postage and shipping	23,535	1,081	4,868	29,484
Telephone	126,590	15,880	16,465	158,935
Supplies	264,862	12,743	14,260	291,865
Equipment maintenance	168,145	42,159	30,526	240,830
Miscellaneous	148,058	42,478	27,520	218,056
In-kind space (Note 10)	1,917,635	8,810	-	1,926,445
In-kind services (Note 10)	193,022	200,700	-	393,722
Total Expenses Before Depreciation	18,862,015	1,794,191	1,658,430	22,314,636
Depreciation	309,071	88,670	57,444	455,185
Total Expenses	$19,171,086	$ 1,882,861	$ 1,715,874	$22,769,821

See notes to financial statements.

SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	$ 1,944,988	$ (123,549)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	551,215	455,185
Receipt of contributed securities	(598,850)	(379,274)
Unrealized appreciation in fair value of investments	(273,376)	(965,646)
(Increase) decrease in assets:		
Contributions receivable	(1,000,997)	778,199
Partner receivable	(850,160)	994,150
Grants receivable	1,568,954	1,373,845
Other current assets	(143,377)	(474,541)
Prepaid expenses	(130,294)	(33,521)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(55,195)	575,435
Other current liabilities	176,806	471,244
Net cash provided by operating activities	1,189,714	2,671,527
Cash Flows from Investing Activities		
Purchase of property, furniture and equipment	(189,466)	(835,440)
Purchase of investments	(315,597)	(257,630)
Net proceeds from sale of investments	5,321	4,148
Net cash used in investing activities	(499,742)	(1,088,922)
Net Increase in Cash and Cash Equivalents	689,972	1,582,605
Cash and Cash Equivalents, Beginning of Year	6,291,987	4,709,382
Cash and Cash Equivalents, End of Year	$ 6,981,959	$ 6,291,987

See notes to financial statements.

1. NATURE OF ACTIVITIES

Sponsors for Educational Opportunity, Inc. ("SEO" or the "Organization") is a nonprofit organization founded in 1963 to help create a more equitable society by preparing underserved and/or underrepresented young people for college and career success. SEO provides superior educational and career programs to young people and is funded entirely by contributions from private organizations and individuals.

Services are provided through four major programs:

- The Scholars Program is supplemental education program that prepares low-income students from New York City and San Francisco public high schools to gain entry and succeed at competitive colleges. The program assists high school and college students, providing academic preparation for competitive college admissions, graduation, and ultimately, career success. SEO Scholars provides academic classes, guidance, mentoring, and enriching life experiences that prepare students to take leadership roles in all areas of their lives.

- The SEO Career Program recruits, trains, and coaches outstanding underrepresented college students from across the country for summer internships that lead to coveted full time jobs careers with investment banks and other leading global companies.

- The SEO Law Fellowship program is the nation's only paid, pre-law program, providing internships at leading law firms, as well as law school academic preparation. This selective program targets underrepresented incoming law school students who have both exceptional promise and demonstrated accomplishments in their undergraduate and professional careers.

- SEO's Alternative Investments program prepares high-achieving young professionals from underrepresented populations to secure and excel in positions within the alternative investments sector through education, exposure, training, and mentoring. As a result, participants are gaining economic influence in business and philanthropy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The 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, 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting and Presentation – Continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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

SEO reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Status

SEO is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC.

SEO has analyzed the tax position taken in its filings with the Internal Revenue Service and state jurisdiction where it operates. SEO believes that its income tax filing position will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on SEO's financial condition, results of operation or cash flows. Accordingly, SEO has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at August 31, 2019 and 2018.

The Organization is subject to routine audits by taxing jurisdiction; however, there are currently no audits for any tax periods in progress.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expense Recognition and Allocation

The cost of providing SEO's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on the respective program area, with the exception of those employees who are allocated across all departments based on estimated time spent.

- Other than personnel services costs are allocated based on full time equivalent.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Development costs are expensed as incurred, even though they may result in contributions received in future years.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

The Organization carries investments in money market funds, mutual funds and equities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Fair Value Hierarchy

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property, Furniture and Equipment

All acquisitions of property, furniture and equipment in excess of $1,000, and all expenditures for repairs, maintenance and renewals that materially prolong the useful lives of assets are capitalized. Property, furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation and amortization is computed using the straight-line method over estimated useful lives of the assets ranging from 5 to 39 years. Donations of property, furniture and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions are generally recorded when notification of a gift is received. Contributions restricted by the donor or grantor for specific purposes or projects are recorded as revenues in the period granted at face value.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Prior year information has been reclassified where necessary to make it comparable with current year information.

Change in Accounting Principles

SEO implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (See Note 5).
- The investment return is reported net of investment expenses (See Note 7 and 12).

The changes have the following effect on net assets at September 1, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 23,155,222	$ -
Temporarily restricted net assets	11,020,033	-
Permanently restricted net assets	810,000	-
Net assets without donor restrictions	-	23,155,222
Net assets with donor restrictions	-	11,830,033
Total net assets	$ 34,985,255	$ 34,985,255

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Pronouncements

Cash Flow Statement Classification

The FASB has issued Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on the following eight specific cash flow issues: (a) debt prepayment or debt extinguishment costs; (b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (c) contingent consideration payments made after a business combination; (d) proceeds from the settlement of insurance claims; (e) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (f) distributions received from equity method investees; (g) beneficial interests in securitization transactions; and (h) separately identifiable cash flows and application of the predominance principle.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period.

The amendments should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. Management is currently evaluating the impact of this ASU on the financial statements.

Accounting for Leases

The FASB issued its new lease accounting guidance in ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Pronouncements – Continued

Accounting for Leases – Continued

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Management is currently evaluating the impact of this ASU on the financial statements.

Revenue Recognition

The FASB has issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), and the IASB has issued IFRS 15, Revenue from Contracts with Customers. The issuance of these documents completes the joint effort by the FASB and the IASB to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and IFRS.

This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Pronouncements – Continued

Revenue Recognition – Continued

This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition – Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles – Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Update 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date defers the effective date of ASU 2014-09 for all entities by one year. For a public entity, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. For all other entities, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact of this ASU on the financial statements.

3. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts in various financial institutions, which at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At August 31, 2019 and 2018, the Organization had approximately $6,768,974 and $6,506,170, respectively, in excess of FDIC-insured limits. The Organization has not experienced any losses in such accounts.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable are scheduled to be collected as follows:

	2019	2018
Within one year	$ 3,372,749	$ 3,042,951
In one to five years	4,529,000	3,700,000
	7,901,749	6,742,951
Less: Discount to present value	(609,164)	(451,363)
Allowance for uncollectible pledges	(37,853)	(37,853)
Net amount	$ 7,254,732	$ 6,253,735

Pledges receivable expected to be collected in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5.25% in 2019 and 2018. The 5.25% discount rate was bank prime loan rate.

5. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of August 31:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 6,981,959	$ 6,291,987
Contributions receivable	7,254,732	6,253,735
Partner receivable	1,045,560	195,400
Grants receivable	41,656	1,610,610
Investments	14,518,341	13,335,839
Total financial assets	29,842,248	27,687,571
Less financial assets held to meet donor imposed restrictions		
Purpose restricted net assets	(8,611,855)	(8,440,072)
Donor restricted endowment funds	(1,180,772)	(1,137,022)
Less financial assets not available within one year:		
Contributions receivable	(4,529,000)	(3,700,000)
Less board-designated endowment fund	(10,526,821)	(10,012,614)
Amount available for general expenditures within one year	$ 4,993,800	$ 4,397,863

5. LIQUIDITY AND AVAILABILITY – CONTINUED

The above table reflects donor restricted and board designated endowment funds as unavailable because it is the Organization's intention to invest those for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from either the donor restricted funds available for general use or from its board designated endowment fund. Note 12 provides more information about those funds and about the spending policies for all endowment funds.

As part of our liquidity management plan, we invest cash in excess of daily requirements in money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $10,526,821 and $10,012,614 as of August 31, 2019 and 2018, respectively.

6. GRANTS RECEIVABLE

SEO has been awarded a multiyear grant; to serve as the lead partner to NextGen Leaders. The NextGen Leaders is a 5-year commitment to establish a new education platform for improving college success among under resourced populations. NextGen Leaders aims to empower students with the skills, knowledge and experience to succeed in college and beyond and it is aligned with President Barack Obama's My Brother's Keeper Initiative. The grant has been fully collected as of August 31, 2019 and grant receivable amounted to $521,301 at August 31, 2018.

In the realm of program growth, SEO was awarded a major multiyear grant to accelerate and deepen the pre-professional and internship training offered to a nationwide pool of Black and Hispanic college students by the SEO Career program. Grant receivable amounted to $41,656 and $1,089,309 at August 31, 2019 and 2018, respectively.

7. INVESTMENTS

Investments are comprised of the following:

	2019		2018	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash and money market funds	$ 2,017,897	$ 2,017,897	$ 1,395,659	$ 1,395,659
Mutual funds and equities	8,974,656	12,500,444	8,694,673	11,940,180
Total Investments	$ 10,992,553	$ 14,518,341	$ 10,090,332	$ 13,335,839

The net appreciation in fair value of investments for the years ended August 31, 2019 and 2018 are summarized as follows:

	2019	2018
Mutual funds and equities	$ 273,376	$ 966,076

8. FAIR VALUE MEASUREMENTS

Fair values of investments measured on recurring basis at August 31, 2019 and 2018 are as follows:

	August 31, 2019			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Mutual funds and equities	$ 12,500,444	$ 12,500,444	$ -	$ -

	August 31, 2018			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Mutual funds and equities	$ 11,940,180	$ 11,940,180	$ -	$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for money market funds is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Fair value for mutual funds is valued at quoted market prices representing net asset value of the units held.

9. PROPERTY, FURNITURE AND EQUIPMENT, NET

Property, furniture and equipment consist of the following:

	2019	**2018**
Office condominium	$ 10,397,371	$ 10,324,895
Furniture and equipment	2,972,363	2,855,373
Leasehold improvements	14,920	14,920
	13,384,654	13,195,188
Less accumulated depreciation and amortization	(5,717,569)	(5,166,354)
	$ 7,667,085	$ 8,028,834

Depreciation expense charged to operations in 2019 and 2018 were $551,215 and $455,185, respectively.

10. IN-KIND CONTRIBUTIONS

In 2019 and 2018, SEO received donated services and free facility usage as follows:

	2019	**2018**
In-kind space	$ 1,505,375	$ 1,926,445
In-kind services:		
Seminars, orientation, speakers and others	895,336	393,722
Total	$ 2,400,711	$ 2,320,167

The values of these donations were included as in-kind contributions with corresponding expenses in the financial statements.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
High School Scholars Program	$ 6,770,659	$ 5,118,667
Career Program	401,651	1,299,309
College Scholars	418,773	1,070,074
San Francisco Scholars	500,000	625,000
Alternative Investments	150,000	-
	8,241,083	8,113,050
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for		
Scholars Program	370,772	327,022
	370,772	327,022
Perpetual in nature, earnings from which are subjected to endowment spending policy and appropriation:		
Scholars Program	810,000	810,000
	810,000	810,000
Total endowments	1,180,772	1,137,022
	$ 9,421,855	$ 9,250,072

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended August 31, 2019 and 2018:

	2019	2018
Expiration of time restrictions	$ -	$ 15,000
Satisfaction of purpose restrictions		
High School Scholars Program	3,820,112	3,060,175
Career Program	1,247,658	855,691
College Scholars	695,051	-
San Francisco Scholars	125,000	125,000
Alternative Investments	75,000	-
SEO Africa	-	54,853
	$ 5,962,821	$ 4,110,719

12. ENDOWMENT FUNDS

The Board of Directors approved the amount of $10 million for the SEO endowment goal. The Endowment consist of the investment and investment income. With the Board directive to double the number of students served within SEO's Scholars Program, it was decided that all new investment income will be allocated toward the Scholars Expansion Fund which will also include future year Scholar designated pledges.

Board-designated Endowment

As of August 31, 2017, it was decided to designate the $8,972,451 million of net assets without donor restrictions as a general endowment funds to support SEO's mission. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Composition and changes in board-designated endowment net assets for the years ended August 31, 2019 and 2018 are as follows:

	2019	2018
Board-designated endowment net assets		
Beginning of year	$ 4,034,737	$ 2,994,574
Investment income	514,207	1,040,163
Board-designated endowment net assets, end of year	$ 4,548,944	$ 4,034,737

Donor-designated Endowments (NYPMIFA)

The Organization's endowment consists of three individual funds. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SEO's Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary.

12. ENDOWMENT FUNDS – CONTINUED

Donor-designated Endowments (NYPMIFA) **–** Continued

As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policy of the organization.

Investment and Spending Policies

As established in SEO Endowment Policy Resolution dated March 29, 2011, the overall, long-term financial objective for the endowment is capital preservation and to maintain its real (inflation-adjusted) purchasing power measured over periods of at least ten years. New endowment contributions are expected to increase the real purchasing power of the endowment assets. Income generation and capital appreciation are additional objectives for the endowment. The rate of investment return will include both investment income (dividends and interest) and capital gains. Inflation will be measured by the Consumer Price Index.

As stated in its spending policy, SEO has no plans to spend more than five percent of its endowment assets each year. Investment returns in excess of the spending rule amount will be used to build endowment assets and pay for investment expenses.

12. ENDOWMENT FUNDS – CONTINUED

Donor-designated Endowments (NYPMIFA) **–** Continued

Investment and Spending Policies – Continued

Endowment Net Asset Composition by Type of Fund as of August 31, 2019 and 2018 are as follows:

	Net Endowment Funds as of August 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 10,526,821	$ -	$ 10,526,821
Donor-restricted endowment funds			
Original donor-restricted amount and amounts required to be maintained in perpetuity by donor	-	810,000	810,000
Accumulated investment gains	-	370,772	370,772
Total Funds	$ 10,526,821	$ 1,180,772	$ 11,707,593

	Net Endowment Funds as of August 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 10,012,614	$ -	$ 10,012,614
Donor-restricted endowment funds			
Original donor-restricted amount and amounts required to be maintained in perpetuity by donor	-	810,000	810,000
Accumulated investment gains	-	327,022	327,022
Total Funds	$ 10,012,614	$ 1,137,022	$ 11,149,636

The changes in endowment net assets for the years ended August 31, 2019 and 2018 are as follows:

	Changes in Endowment Funds as of August 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 10,012,614	$ 1,137,022	$ 11,149,636
Net investment return	514,207	43,750	557,958
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	$ 10,526,821	$ 1,180,772	$ 11,707,594

	Changes in Endowment Funds as of August 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 8,972,451	$ 1,046,954	$ 10,019,405
Net investment return	1,040,163	90,068	1,130,231
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	$ 10,012,614	$ 1,137,022	$ 11,149,636

13. MULTIYEAR CONTRIBUTIONS, CHANGES IN NET ASSETS, DONOR RESTRICTED NET ASSETS AND ENDOWMENT NET ASSETS

In 2019, SEO recognized as contribution a multiyear pledge receivable totaling $3,987,000 with a present value of $3,787,922 using a discount rate of 5.25%. If this receivable was not included in 2019 contributions and instead accounted for on a cash basis, changes in net assets and donor restricted – purpose restricted net assets for 2019 would have been as follows:

Changes in net assets:

		August 31, 2019
Changes in net assets, as reported	$	1,944,988
Multiyear pledges receivable for 2019 (net of discount)		(3,787,922)
Multiyear pledges received		2,129,000
	$	286,066

Purpose Restricted Net Assets

		August 31, 2019
Purpose restricted net assets, as reported	$	8,611,855
Multiyear pledges receivable (net of discount)		(3,787,922)
	$	4,823,933

In 2018, SEO recognized as contribution a multiyear pledge receivable totaling $300,000 with a present value of $285,284 using a discount rate of 5.25%. If this receivable was not included in 2018 contributions and instead accounted for on a cash basis, changes in net assets and donor restricted – purpose restricted net assets for 2018 would have been as follows:

Changes in net assets:

		August 31, 2018
Changes in net assets, as reported	$	(123,549)
Multiyear pledges receivable for 2018 (net of discount)		(285,284)
Multiyear pledges received		975,000
	$	566,167

Purpose Restricted Net Assets

		August 31, 2018
Purpose restricted net assets, as reported	$	8,440,072
Multiyear pledges receivable (net of discount)		(185,284)
	$	8,254,788

14. SPECIAL EVENTS

In 2019, special events represent net proceeds from the awards dinner held on April 29, 2019, an Alternative Investments Conference held on March 6, 2019, and The San Francisco Achievement Benefit held on November 1, 2018. In 2018, special events represent net proceeds from the awards dinner held on April 18, 2018, an Alternative Investments Conference held on March 9, 2018, and The San Francisco Achievement Benefit held on November 2, 2017.

	2019	2018
Revenues	$ 7,612,513	$ 7,155,752
Less: Direct Costs	(1,152,761)	(938,438)
Net Proceeds	$ 6,459,752	$ 6,217,314

15. PENSION PLAN

SEO contributes to the 403(b) retirement plan managed by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). All full-time personnel are eligible to make voluntary contributions immediately upon employment with SEO and any time thereafter. In addition, SEO automatically contributes 2.5% of eligible compensation after one year of employment. SEO makes discretionary matching contributions up to an additional 2.5% for employees who have completed one year of service. The vesting schedule for employer contributions is over a three-year period. Employee accounts are self-managed. SEO contributions for the years ended August 31, 2019 and 2018 were $326,545 and $266,655, respectively.

Effective August 15, 2013, SEO contributes to the 457(b) retirement plan managed by the Metropolitan Life Insurance Company (MetLife). Full-time staff with earnings of $135,000 or more are eligible to participate immediately. There is no vesting period and employee accounts are self-managed. An individual can defer up to half of the statutory limitation ($9,500 of $19,000 for 2019) from his or her salary. SEO makes an employer matching contribution up to the statutory limitation. All deferred assets related to the 457(b) retirement plan are the property of SEO and are subject to claim by SEO's general creditors until they are distributed upon termination of employment as defined in the agreement. As of August 31, 2019 and 2018, investments in these accounts consist of mutual funds valued at $895,611 and $736,990, respectively.

16. SUBSEQUENT EVENTS

Subsequent to August 31, 2019 and through April 15, 2020, the date through which management evaluated subsequent events and on which the financial statements were available for issuance, management has concluded that there were no subsequent events to be disclosed.