

Sponsors for Educational Opportunity, Inc.

Financial Statements
Years Ended August 31, 2021 and 2020

Sponsors for Educational Opportunity, Inc.

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Independent Auditor's Report

The Board of Directors
Sponsors for Educational Opportunity, Inc.
New York, New York

Opinion

We have audited the financial statements of Sponsors for Educational Opportunity, Inc. (SEO), which comprise of the statement of financial position as of August 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of Sponsors for Educational Opportunity, Inc. as of August 31, 2021 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 SEO 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.

Other Matter

The 2020 financial statements of SEO were audited by other auditors, whose report dated March 30, 2021 expressed an unmodified opinion on those statements.

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 SEO's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 SEO'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 SEO'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.

BDO USA, LLP

April 11, 2022

Sponsors for Educational Opportunity, Inc.

Statements of Financial Position

<i>August 31,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 28,870,057	\$ 15,429,529
Contributions receivable, net	3,175,869	2,695,672
Grants receivable, net	4,331,546	1,000,000
Partner receivable	812,250	713,226
Prepaid expenses	355,568	422,640
Other current assets	71,058	77,970
Investments	17,464,085	14,468,106
Total Current Assets	55,080,433	34,807,143
Contributions Receivable, Net, long-term portion	2,569,175	2,519,740
Grants Receivable, Net, long-term portion	4,147,972	5,784,976
Retirement Plan Asset	1,721,889	1,248,986
Property, Furniture, and Equipment, Net	6,995,114	7,335,410
Total Assets	\$ 70,514,583	\$ 51,696,255
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,509,414	\$ 973,958
Other current liabilities	1,449,701	168,362
Total Current Liabilities	3,959,115	1,142,320
Retirement Plan Liability	1,719,664	1,246,736
Paycheck Protection Program Loan	-	2,758,311
Total Liabilities	5,678,779	5,147,367
Net Assets		
Without donor restrictions:		
Net investment in property, furniture, and equipment	6,995,114	7,335,410
Designated by the Board for endowment	15,113,283	12,327,771
Designated by the Board for Scholars NYC Expansion Fund	-	10,911,728
Designated by the Board for General fund	25,798,509	-
Designated by the Board for operating reserve	2,000,000	2,000,000
	49,906,906	32,574,909
With donor restrictions:		
Purpose and time restrictions	14,118,898	13,163,979
Perpetual in nature	810,000	810,000
	14,928,898	13,973,979
Total Net Assets	64,835,804	46,548,888
Total Liabilities and Net Assets	\$ 70,514,583	\$ 51,696,255

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements of Activities

Year ended August 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Contributions and grants	\$ 25,017,728	\$ 7,745,436	\$ 32,763,164	\$ 15,857,712	\$ 8,941,473	\$ 24,799,185
Special events, net of direct costs of \$335,488 and \$771,863 for the years ended August 31, 2021 and 2020, respectively	12,349,546	-	12,349,546	9,712,683	-	9,712,683
In-kind contributions	102,623	-	102,623	1,839,220	-	1,839,220
Net assets released from restrictions	7,351,717	(7,351,717)	-	4,764,012	(4,764,012)	-
Total Operating Revenues	44,821,614	393,719	45,215,333	32,173,627	4,177,461	36,351,088
Expenses						
Program services	27,406,351	-	27,406,351	23,859,016	-	23,859,016
Supporting services:						
Management and general	3,402,912	-	3,402,912	2,949,473	-	2,949,473
Development	2,218,932	-	2,218,932	1,976,018	-	1,976,018
Total Expenses	33,028,195	-	33,028,195	28,784,507	-	28,784,507
Change in Net Assets, before non-operating revenues	11,793,419	393,719	12,187,138	3,389,120	4,177,461	7,566,581
Non-Operating Revenues						
Net investment return	2,780,267	561,200	3,341,467	1,800,950	374,663	2,175,613
Paycheck Protection Program loan forgiveness	2,758,311	-	2,758,311	-	-	-
Total Non-Operating Revenues	5,538,578	561,200	6,099,778	1,800,950	374,663	2,175,613
Changes in Net Assets	17,331,997	954,919	18,286,916	5,190,070	4,552,124	9,742,194
Net Assets, beginning of year	32,574,909	13,973,979	46,548,888	27,384,839	9,421,855	36,806,694
Net Assets, end of year	\$ 49,906,906	\$ 14,928,898	\$ 64,835,804	\$ 32,574,909	\$ 13,973,979	\$ 46,548,888

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statement of Functional Expenses

Year ended August 31, 2021

	Supporting Services				Total
	Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 14,485,623	\$ 1,337,570	\$ 1,336,385	\$ 2,673,955	\$ 17,159,578
Payroll taxes and benefits	3,899,197	724,639	362,549	1,087,188	4,986,385
Total Salary and Related Expenses	18,384,820	2,062,209	1,698,934	3,761,143	22,145,963
Contractor and consultant services and other professional services	5,706,257	702,789	376,791	1,079,580	6,785,837
Scholarship, stipends, and grants	1,097,404	-	-	-	1,097,404
Printing	57,579	6,169	4,798	10,967	68,546
Travel and conferences	95,266	5,309	5,712	11,021	106,287
Property maintenance fees	584,891	120,360	44,809	165,169	750,060
Postage and shipping	50,946	6,269	2,307	8,576	59,522
Telephone	148,976	53,164	19,333	72,497	221,473
Supplies	364,603	16,704	4,431	21,135	385,738
Insurance	46,804	34,730	9,844	44,574	91,378
Equipment maintenance	295,971	80,868	20,755	101,623	397,594
Miscellaneous	159,244	91,171	1,527	92,698	251,942
In-kind expense	-	102,623	-	102,623	102,623
Total Expenses, before depreciation	26,992,761	3,282,365	2,189,241	5,471,606	32,464,367
Depreciation	413,590	120,547	29,691	150,238	563,828
Total Expenses	\$ 27,406,351	\$ 3,402,912	\$ 2,218,932	\$ 5,622,844	\$ 33,028,195

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statement of Functional Expenses

Year ended August 31, 2020

	Supporting Services				Total
	Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 11,877,639	\$ 1,278,202	\$ 976,345	\$ 2,254,547	\$ 14,132,186
Payroll taxes and benefits	2,796,455	414,741	241,774	656,515	3,452,970
Total Salary and Related Expenses	14,674,094	1,692,943	1,218,119	2,911,062	17,585,156
Contractor and consultant services and other professional services	2,889,703	500,052	589,796	1,089,848	3,979,551
Scholarship, stipends, and grants	2,409,491	-	-	-	2,409,491
Printing	34,641	3,605	27,682	31,287	65,928
Travel and conferences	797,987	44,044	19,831	63,875	861,862
Property maintenance fees	520,771	115,756	28,249	144,005	664,776
Postage and shipping	30,238	3,178	1,353	4,531	34,769
Telephone	124,058	41,637	17,353	58,990	183,048
Supplies	205,918	20,222	5,414	25,636	231,554
Insurance	67,853	57,234	9,270	66,504	134,357
Equipment maintenance	164,762	64,674	15,176	79,850	244,612
Miscellaneous	54,354	7,537	5,691	13,228	67,582
In-kind expense	1,704,063	135,157	-	135,157	1,839,220
Total Expenses, before depreciation	23,677,933	2,686,039	1,937,934	4,623,973	28,301,906
Depreciation	181,083	263,434	38,084	301,518	482,601
Total Expenses	\$ 23,859,016	\$ 2,949,473	\$ 1,976,018	\$ 4,925,491	\$ 28,784,507

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements of Cash Flows

<i>Year ended August 31,</i>	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	\$ 18,286,916	\$ 9,742,194
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	563,828	482,601
Unrealized and realized appreciation in fair value of investments	(2,995,979)	(1,967,662)
Change in discount on contributions and grants receivable	(94,903)	(169,623)
Paycheck Protection Program loan forgiveness	(2,758,311)	-
(Increase) decrease in assets:		
Contributions receivable	(590,826)	2,208,943
Partner receivable	(99,024)	332,334
Grants receivable	(1,538,445)	(6,743,320)
Other current assets	6,912	5,744
Retirement plan asset	(472,903)	(353,375)
Prepaid expenses	67,072	(14,587)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,535,456	(175,121)
Retirement plan liability	472,928	353,375
Other current liabilities	1,281,339	120,784
Net Cash Provided by Operating Activities	13,664,060	3,822,287
Cash Flows from Investing Activities		
Purchase of property, furniture, and equipment	(223,532)	(150,925)
Net Cash Used in Investing Activities	(223,532)	(150,925)
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	-	2,758,311
Net Cash Provided by Financing Activities	-	2,758,311
Net Increase in Cash	13,440,528	6,429,673
Cash, beginning of year	15,429,529	8,999,856
Cash, end of year	\$ 28,870,057	\$ 15,429,529

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

1. Nature of Activities

Sponsors for Educational Opportunity, Inc. (SEO) is a nonprofit organization founded in 1965 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 a 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 and 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.
- The SEO Leadership Institute offers a suite of ongoing programs and activities, tailored for each career stage, for alumni to reach the next professional level, take leadership roles on social issues, and overcome barriers that continue to exist in the professional environment.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of SEO have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Cash and Cash Equivalents

SEO considers all liquid instruments with maturities of three months or less, when purchased, to be cash and cash equivalents.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets, with donor restrictions and without donor restrictions, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets Without Donor Restrictions - This class includes 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, a board-designated endowment and a Scholars NYC Expansion Fund.

Net Assets with Donor Restrictions - This class includes net assets subject to donor-imposed (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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, therefore, has made no provisions for income taxes in the accompanying financial statements. In addition, SEO 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 (IRS) 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, 2021 and 2020.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

Under Accounting Standards Codification (ASC) 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. SEO does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SEO has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SEO has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended August 31, 2021, there were no income tax-related interest or penalties recorded or included in the statements of activities.

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. SEO had an allowance of \$37,853 relating to grants and contracts receivable at August 31, 2021 and 2020. During the years ended August 31, 2021 and 2020, there were no write-offs of grants or contributions receivable.

Investments

SEO carries investments in mutual funds and equities at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

Revenues and gains and losses on investments and other assets are reported as changes in net assets without donor restrictions, unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions, which occur when the donor-imposed stipulated purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Fair Value Measurements

ASC 820, *Fair Value Measurement*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as SEO would use in pricing SEO's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of SEO are traded. SEO estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers for each investment based on the best information available in the circumstances.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

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 five to 39 years and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is shorter. 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.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recorded during the years ended August 31, 2021 and 2020.

Revenue Recognition

All contributions are considered to be without donor restrictions, unless specifically restricted by the donor or subject to legal restrictions. 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. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958, *Not-for-Profit Entities*.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

Functional Expenses

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.

Risk and Uncertainties

SEO's investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of SEO's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Reclassifications

Prior year information has been reclassified where necessary to conform with current year presentation.

Recently Adopted Accounting Pronouncements

Revenue

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgements and changes in judgements. The FASB also issued ASU 2020-05, which deferred the effective date of the provision for SEO. The provision became effective and was adopted for SEO beginning September 1, 2020.

SEO elected the modified retrospective approach in adopting ASU 2014-09 to all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Not-for-Profit Entities (Topic 958)

The FASB issued ASU 2020-07 (the Update) to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

The enhanced presentation and disclosure requirements include the contributed nonfinancial assets as separately stated as an individual line item in the statements of activities, distinct from contributions of cash or other financial assets. The contributed nonfinancial assets are also disaggregated in a footnote by category that shows the type of contributed nonfinancial assets in the statements of activities. For each type of contributed nonfinancial assets recognized, a not-for-profit will disclose the not-for-profit's policy (if any) on liquidating rather than using contributed nonfinancial assets; qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period, and, if used, a description of how the asset was employed should be included; any donor-imposed restrictions related to the contributed nonfinancial assets; and the valuation methods and inputs utilized to determine a fair value. In accordance with Topic 820, *Fair Value Measurement*, it should be measured at initial recognition. The principal or most advantageous market is utilized to calculate fair value if it is a market in which the not-for-profit is restricted by the donor from selling or utilizing the contributed nonfinancial assets.

The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets and is effective for annual reporting periods beginning after June 15, 2021 with early adoption permitted. SEO is currently evaluating the impact of the adoption of the ASU on its financial statements.

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and to recognize 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. The FASB also issued ASU 2020-05, which deferred the effective date for SEO until annual periods beginning after December 15, 2021; SEO is currently evaluating the impact of the pending adoption of ASU 2016-02.

Financial Instruments - Credit Losses

The FASB issued ASU 2016-13 to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by an entity. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis, such as loan receivables, trade, and certain other receivables, as well as certain off-balance sheet credit exposures, such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, promises to give (pledges receivable), and loans and receivables between entities under common control.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

The ASU is effective for fiscal years beginning after December 15, 2022 for all nonprofit entities. SEO is currently evaluating the impact of the adoption of the ASU on its financial statements.

3. 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, comprise the following:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 28,870,057	\$ 15,429,529
Contributions receivable	5,745,044	5,215,412
Grants receivable	8,479,518	6,784,976
Partner receivable	812,250	713,226
Investments	17,464,085	14,468,106
Total Financial Assets	61,370,954	42,611,249
Less:		
Financial assets held to meet donor-imposed restrictions:		
Purpose and time restricted net assets	(14,118,898)	(13,163,979)
Donor restricted endowment funds	(810,000)	(810,000)
Financial assets not available within one year:		
Contributions receivable	(2,569,175)	(2,519,740)
Grant receivable	(4,147,972)	(5,784,976)
Board-designated endowment fund	(15,113,283)	(12,327,771)
Amount Available for General Expenditures Within One Year	\$ 24,611,626	\$ 8,004,783

The above table reflects donor restricted and board designated endowment funds as unavailable because it is SEO'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 11 provides more information about those funds and about the spending policies for all endowment funds.

As part of the liquidity management plan, SEO 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 \$15,113,283 and \$12,327,771 as of August 31, 2021 and 2020, respectively.

4. Concentrations

SEO 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, 2021 and 2020, SEO had \$28,075,160 and \$14,152,313, respectively, in excess of FDIC-insured limits. SEO has not experienced any losses in such accounts.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

5. Contributions and Grants Receivable, Net

Contributions and grants receivable are scheduled to be collected as follows:

August 31,

	2021		2020	
	Contributions	Grants	Contributions	Grants
Within one year	\$ 3,175,869	\$ 4,331,546	\$ 2,695,672	\$ 1,000,000
In one to five years	2,865,119	4,573,765	2,754,490	5,866,866
In more than five years	-	-	-	500,000
	6,040,988	8,905,311	5,450,162	7,366,866
Less: discount to present value	(258,091)	(425,793)	(196,897)	(581,890)
Allowance for uncollectible pledges	(37,853)	-	(37,853)	-
Net Amount	\$ 5,745,044	\$ 8,479,518	\$ 5,215,412	\$ 6,784,976

Contributions and grants 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 3.25% in 2021 and 2020. The 3.25% discount rates were the bank prime loan rate.

6. Investments, at Fair Value

Investments, at fair value, are comprised of the following:

August 31,

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Mutual funds and equities	\$ 10,287,366	\$ 17,464,085	\$ 9,239,552	\$ 14,468,106
Total Investments	\$ 10,287,366	\$ 17,464,085	\$ 9,239,552	\$ 14,468,106

As of August 31, 2021 and 2020, all investments were considered Level 1 investments.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

7. Property, Furniture, and Equipment, Net

Property, furniture, and equipment consist of the following:

<i>August 31,</i>	2021	2020
Office condominium	\$ 10,426,111	\$ 10,426,110
Furniture and equipment	3,318,081	3,094,549
Leasehold improvements	14,920	14,920
	<u>13,759,112</u>	<u>13,535,579</u>
Less: accumulated depreciation	(6,763,998)	(6,200,170)
	<u>\$ 6,995,114</u>	<u>\$ 7,335,409</u>

Depreciation expense charged to operations in 2021 and 2020 were \$563,828 and \$482,601, respectively.

8. Paycheck Protection Program Loan

On May 7, 2020, SEO received a loan of \$2,758,311 under the Paycheck Protection Program (PPP) provided by Grow America Fund, Inc. (Lender) payable over two years at an interest of 1%, with a deferral of payments for the first six months.

On November 10, 2020, SEO submitted the PPP loan forgiveness application. As of August 31, 2021, the full amount of the loan has been forgiven. The related revenue is included as PPP loan forgiveness on the statements of activities.

9. In-Kind Contributions

SEO received donated services and free facility usage as follows:

<i>August 31,</i>	2021	2020
In-kind space	\$ -	\$ 712,015
In-kind services:		
Seminars, orientation, speakers, and other	102,623	1,127,205
Total	<u>\$ 102,623</u>	<u>\$ 1,839,220</u>

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

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

10. Net Assets with Donor Restrictions

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

<i>August 31,</i>	2021	2020
Subject to expenditure for specified purpose:		
Scholars Program	\$ 10,469,208	\$ 6,974,761
Career Program	198,216	1,801,189
College Program	44,250	729,550
San Francisco Scholars	602,000	568,804
Alternative Investments	75,000	75,000
Time Restricted	2,000,000	2,500,000
	13,388,674	12,649,304
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for Scholars Program	730,224	514,675
	730,224	514,675
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	1,540,224	1,324,675
	\$ 14,928,898	\$ 13,973,979

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:

<i>Year ended August 31,</i>	2021	2020
Satisfaction of purpose restrictions:		
High School Scholars Program	\$ (4,587,442)	\$ (3,381,977)
Career Program	(1,718,650)	(808,910)
College Program	(170,625)	(173,125)
San Francisco Scholars	(375,000)	(325,000)
Alternative Investments	-	(75,000)
Time restriction lapsed	(500,000)	-
	\$ (7,351,717)	\$ (4,764,012)

11. Endowment Funds

Board-Designated Endowment

On July 15, 2014 the board of directors designated \$2,000,000 from the unrestricted surplus of SEO to be designated as a board endowment fund for the eight-year expansion plan of the Scholars NYC

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

Expansion Fund. As of August 31, 2021 and 2020 the fund generated \$13,113,283 and \$10,327,771 in investment income for the NYC Scholars NYC Expansion Fund.

In addition, all generated surplus from unrestricted funds is also to be designated for the NYC Scholars NYC Expansion Fund. As of August 31, 2021 and 2020 a total of \$0 and \$10,911,728, respectively, were designated by the board for the NTC Scholars Expansion Fund. In fiscal year 2021, through a board resolution, board designated funds for the NYC Expansion Fund for the amount of \$10,911,728 were released to Board designated general fund and totaled \$25,798,509 and \$0 as of August 31, 2021 and 2020, respectively.

Composition and changes in board-designated endowment net assets are as follows:

	2021	2020
Board-Designated Endowment Net Assets		
Beginning of year	\$ 12,327,771	\$ 10,526,821
Investment income	2,785,512	1,800,950
Board-Designated Endowment Net Assets, end of year	\$ 15,113,283	\$ 12,327,771

Donor-Designated Endowments (NYPMIFA)

SEO'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 U.S. GAAP, 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.

As a result of this interpretation, SEO 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 SEO in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, SEO 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

Sponsors for Educational Opportunity, Inc.

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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.

Underwater Endowments

Underwater endowment funds are funds for which the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions. At August 31, 2021, there are no underwater endowments.

Endowment net asset composition by type of fund are as follows:

August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Net Endowment Funds			
Board-designated endowment funds	\$ 15,113,283	\$ -	\$ 15,113,283
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	-	730,224	730,224
Total Net Endowment Funds	\$ 15,113,283	\$ 1,540,224	\$ 16,653,507

August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Net Endowment Funds			
Board-designated endowment funds	\$ 12,327,771	\$ -	\$ 12,327,771
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	-	514,675	514,675
Total Funds	\$ 12,327,771	\$ 1,324,675	\$ 13,652,446

The changes in endowment net assets are as follows:

August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 12,327,771	\$ 1,324,675	\$ 13,652,446
Net investment return	2,785,512	215,549	3,001,061
Endowment Net Assets, end of year	\$ 15,113,283	\$ 1,540,224	\$ 16,653,507

Sponsors for Educational Opportunity, Inc.

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August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets , beginning of year	\$ 10,526,821	\$ 1,180,772	\$ 11,707,593
Net investment return	1,800,950	143,903	1,944,853
Endowment Net Assets , end of year	\$ 12,327,771	\$ 1,324,675	\$ 13,652,446

12. Special Events

Special events represent net proceeds from the awards dinner, an Alternative Investments Conference, and The San Francisco Achievement Benefit.

August 31,	2021	2020
Revenues	\$ 12,685,034	\$ 10,484,546
Less: direct costs	(335,488)	(771,863)
Net Proceeds	\$ 12,349,546	\$ 9,712,683

13. Commitments

Operating Leases

In 2018, SEO signed a three-year lease agreement, for office space in New York, New York, effective September 1, 2018. The lease agreement was renewed for three years in July 2021. The renewal became effective on September 1, 2021.

The approximate future minimum lease payments as of August 31, 2021 are as follows:

Year ending August 31,	
2022	\$ 356,401
2023	367,093
2024	378,106
2025	389,449
Thereafter	-
	\$ 1,491,049

Rent expense amounted to \$346,034 and \$337,371 for the years ended August 31, 2021 and 2020, respectively.

Litigation

Various lawsuits against SEO may arise in the ordinary course of business. Contingent liabilities arising from such litigation and other matters are not expected to be material in relation to the financial position of SEO.

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Notes to Financial Statements

14. Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on SEO's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act contains measures designed to bring some economic and fiscal relief to companies, small businesses, and individuals facing financial difficulties due to the COVID-19 crisis. On December 27, 2020, Congress enacted the Consolidated Appropriations Act, 2021 (the Act), which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. On March 10, 2021, President Biden signed the \$1.9 trillion American Rescue Plan Act into law.

As discussed in Note 8, SEO received a loan under the PPP, which was forgiven during fiscal year 2020. SEO has not and does not intend to apply for funding under the Act and American Rescue Plan Act.

15. Retirement Plans

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, 2021 and 2020 were \$495,302 and \$409,613, 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 (\$9,750 of \$19,500 for 2021) 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, 2021 and 2020, investments in these accounts consist of mutual funds valued at \$1,721,889 and \$1,248,986, respectively, and are included as retirement plan asset with corresponding retirement plan liability on the statements of financial position.

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Notes to Financial Statements

16. Subsequent Events

SEO has performed subsequent event procedures through April 11, 2022, the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements.