

Sponsors for Educational Opportunity, Inc.

Financial Statements
Years Ended August 31, 2023 and 2022

Sponsors for Educational Opportunity, Inc.

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Sponsors for Educational Opportunity, Inc.

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Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

BDO
200 Park Avenue
New York, NY 10166
USA

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 statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 SEO as of August 31, 2023 and 2022 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.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, P.C.

March 29, 2024

Sponsors for Educational Opportunity, Inc.

Statements of Financial Position

<i>August 31,</i>	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 21,858,998	\$ 21,618,239
Contributions receivable, net	2,584,926	2,041,426
Grants receivable, net	4,477,503	3,932,035
Partner receivable	1,826,750	1,792,875
Prepaid expenses	860,662	388,741
Other current assets	155,445	104,513
Investments, at fair value	28,679,645	24,852,890
Total Current Assets	60,443,929	54,730,719
Contributions Receivable, Net, long-term portion	79,174	1,885,755
Grants Receivable, Net, long-term portion	6,673,711	5,826,312
Retirement Plan Asset	1,741,874	1,376,235
Investments, at fair value, long-term portion	810,000	810,000
Property, Furniture, and Equipment, Net	6,322,237	6,695,678
Total Assets	\$ 76,070,925	\$ 71,324,699
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,596,052	\$ 2,960,105
Other current liabilities	2,263,210	1,627,373
Total Current Liabilities	4,859,262	4,587,478
Retirement Plan Liability	1,739,472	1,378,925
Total Liabilities	6,598,734	5,966,403
Net Assets		
Without donor restrictions:		
Net investment in property, furniture, and equipment	6,322,237	6,695,678
Designated by the Board for endowment	14,768,882	12,242,997
Designated by the Board for general fund	29,261,429	29,368,678
Designated by the Board for operating reserve	2,000,000	2,000,000
Total Net Assets Without Donor Restrictions	52,352,548	50,307,353
With donor restrictions:		
Purpose and time restrictions	16,309,643	14,240,943
Perpetual in nature	810,000	810,000
Total Net Assets with Donor Restrictions	17,119,643	15,050,943
Total Net Assets	69,472,191	65,358,296
Total Liabilities and Net Assets	\$ 76,070,925	\$ 71,324,699

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements of Activities

Year ended August 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Contributions and grants	\$ 23,030,334	\$ 8,529,786	\$ 31,560,120	\$ 21,950,659	\$ 8,244,853	\$ 30,195,512
Special events, net of direct costs of \$1,897,828 and \$1,447,869 for the years ended August 31, 2023 and 2022, respectively	13,631,484	-	13,631,484	13,134,877	-	13,134,877
In-kind contributions	1,576,751	-	1,576,751	846,633	-	846,633
Net assets released from restrictions	7,053,215	(7,053,215)	-	7,608,954	(7,608,954)	-
Total Operating Revenues	45,291,784	1,476,571	46,768,355	43,541,123	635,899	44,177,022
Expenses						
Program services	38,566,060	-	38,566,060	33,040,674	-	33,040,674
Supporting services:						
Management and general	5,053,167	-	5,053,167	4,936,674	-	4,936,674
Development	2,170,367	-	2,170,367	2,286,504	-	2,286,504
Total Expenses	45,789,594	-	45,789,594	40,263,852	-	40,263,852
Change in Net Assets, before non-operating revenues	(497,810)	1,476,571	978,761	3,277,271	635,899	3,913,170
Non-Operating Revenues						
Net investment return (loss)	2,543,005	592,129	3,135,134	(2,876,824)	(513,854)	(3,390,678)
Total Non-Operating Revenues	2,543,005	592,129	3,135,134	(2,876,824)	(513,854)	(3,390,678)
Changes in Net Assets	2,045,195	2,068,700	4,113,895	400,447	122,045	522,492
Net Assets, beginning of year	50,307,353	15,050,943	65,358,296	49,906,906	14,928,898	64,835,804
Net Assets, end of year	\$ 52,352,548	\$ 17,119,643	\$ 69,472,191	\$ 50,307,353	\$ 15,050,943	\$ 65,358,296

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statement of Functional Expenses

Year ended August 31, 2023

	Supporting Services				Total
	Program Services	Management and General	Development	Total Supporting Services	
Salary and Related Expenses					
Salaries	\$ 20,326,616	\$ 2,563,307	\$ 1,330,662	\$ 3,893,969	\$ 24,220,585
Payroll taxes and benefits	5,180,527	736,107	354,399	1,090,506	6,271,033
Total Salary and Related Expenses	25,507,143	3,299,414	1,685,061	4,984,475	30,491,618
Contractor and consultant services and other professional services	5,439,029	983,835	293,617	1,277,452	6,716,481
Scholarship, stipends, and grants	1,863,398	230	42	272	1,863,670
Printing	72,228	17,481	10,654	28,135	100,363
Travel and conferences	1,721,504	70,288	25,619	95,907	1,817,411
Property maintenance fees	664,592	168,810	30,428	199,238	863,830
Postage and shipping	51,384	3,673	713	4,386	55,770
Telephone	342,713	26,960	22,497	49,457	392,170
Supplies	449,906	16,551	3,272	19,823	469,729
Insurance	99,930	101,045	18,213	119,258	219,188
Equipment maintenance	340,302	29,153	16,564	45,717	386,019
Bad debt	46,809	47,331	8,531	55,862	102,671
Miscellaneous	138,485	33,700	9,247	42,947	181,432
In-kind expense (Note 8)	1,576,751	-	-	-	1,576,751
Total Expenses, before depreciation	38,314,174	4,798,471	2,124,458	6,922,929	45,237,103
Depreciation	251,886	254,696	45,909	300,605	552,491
Total Expenses	\$ 38,566,060	\$ 5,053,167	\$ 2,170,367	\$ 7,223,534	\$ 45,789,594

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statement of Functional Expenses

Year ended August 31, 2022

	Supporting Services				Total
	Program Services	Management and General	Development	Total Supporting Services	
Salary and Related Expenses					
Salaries	\$ 17,831,425	\$ 2,396,252	\$ 1,460,264	\$ 3,856,516	\$ 21,687,941
Payroll taxes and benefits	3,818,041	309,862	274,864	584,726	4,402,767
Total Salary and Related Expenses	21,649,466	2,706,114	1,735,128	4,441,242	26,090,708
Contractor and consultant services and other professional services	6,081,485	1,416,939	341,867	1,758,806	7,840,291
Scholarship, stipends, and grants	1,314,026	-	-	-	1,314,026
Printing	71,110	12,129	9,970	22,099	93,209
Travel and conferences	1,007,378	21,502	11,575	33,077	1,040,455
Property maintenance fees	532,279	203,595	17,874	221,469	753,748
Postage and shipping	56,138	2,552	2,643	5,195	61,333
Telephone	195,271	28,908	15,664	44,572	239,843
Supplies	560,436	43,509	2,833	46,342	606,778
Insurance	57,413	65,360	12,075	77,435	134,848
Equipment maintenance	275,788	59,078	14,465	73,543	349,331
Bad debt	89,612	66,684	14,164	80,848	170,460
Miscellaneous	90,133	-	48,489	48,489	138,622
In-kind expense	776,000	70,633	-	70,633	846,633
Total Expenses, before depreciation	32,756,535	4,697,003	2,226,747	6,923,750	39,680,285
Depreciation	284,139	239,671	59,757	299,428	583,567
Total Expenses	\$ 33,040,674	\$ 4,936,674	\$ 2,286,504	\$ 7,223,178	\$ 40,263,852

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements of Cash Flows

<i>Year ended August 31,</i>	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ 4,113,895	\$ 522,492
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	552,491	583,567
Unrealized and realized depreciation (appreciation) in fair value of investments	(2,548,143)	2,795,055
Change in discount on contributions and grants receivable	808,267	276,255
Change in allowance on contributions and grants receivable	7,082	105,959
Decrease (increase) in assets:		
Contributions receivable	1,342,315	1,849,562
Partner receivable	(33,875)	(980,625)
Grants receivable	(2,287,450)	(1,692,742)
Other current assets	(50,932)	(33,455)
Retirement plan asset	(365,639)	345,654
Prepaid expenses	(471,921)	(33,173)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(364,053)	450,691
Retirement plan liability	360,547	(340,739)
Other current liabilities	635,837	177,672
Net Cash Provided by Operating Activities	1,698,421	4,026,173
Cash Flows from Investing Activities		
Purchase of investments	(1,278,612)	(10,993,860)
Purchase of property, furniture, and equipment	(179,050)	(284,131)
Net Cash Used in Investing Activities	(1,457,662)	(11,277,991)
Net Increase (Decrease) in Cash	240,759	(7,251,818)
Cash and Cash Equivalents, beginning of year	21,618,239	28,870,057
Cash and Cash Equivalents, end of year	\$ 21,858,998	\$ 21,618,239

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 five major programs:

- The Scholars Program is a supplemental education program that prepares underserved students from New York City and San Francisco public high schools to gain entry and succeed at competitive colleges, with a 90% graduation rate. 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 high-achieving 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.
- SEO's Alternative Investments program prepares high-achieving young professionals 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 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 serves incoming law school students who have both exceptional promise and demonstrated accomplishments in their undergraduate and professional careers.
- 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 (GAAP). In the statements 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 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, 2023 and 2022.

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, 2023, 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 \$150,894 and \$143,812 relating to grants and contracts receivable at August 31, 2023 and 2022, respectively. During the years ended August 31, 2023 and 2022, bad debt expense of \$102,671 and \$170,460 was recorded, respectively.

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 are 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, 2023 and 2022.

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. 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

In-Kind Contributions

Contributions services are recognized when they are received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Contributed services relate mainly to seminars, orientation, and speakers and are recorded at the respective fair values of the services received. The fair value is based on the number of hours of the service provided multiplied by the rate it would have otherwise been paid.

Additionally, SEO occupies, without charge, certain office spaces. SEO estimates the fair value of contributed space based upon the average market rental rates per square foot multiplied by the actual square footage of the contributed space.

Refer to Note 8 for further detail of the value of in-kind contributions to SEO during the fiscal year.

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 that 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

Certain prior-year information has been reclassified where necessary to conform with the current-year presentation.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

Recently Adopted Accounting Pronouncements

Accounting for Leases

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 standard, as amended, is effective for non-public business entities for fiscal years beginning after December 15, 2021. Management adopted this ASU effective September 1, 2022 for the year ended August 31, 2023. The adoption of this ASU did not have a material impact on the financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-03, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. The new credit-loss standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use a new forward-looking "expected-loss" model that generally will result in earlier recognition of credit losses than under today's incurred-loss model. ASU 2016-03 is effective for annual periods beginning after December 15, 2022. SEO is currently evaluating the impact of the adoption of this 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—comprise the following:

<i>August 31,</i>	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 21,858,998	\$ 21,618,239
Contributions receivable	2,664,100	3,927,181
Grants receivable	11,151,214	9,758,347
Partner receivable	1,826,750	1,792,875
Investments	29,489,645	25,662,890
Total Financial Assets	66,990,707	62,759,532
Less:		
Financial assets held to meet donor-imposed restrictions:		
Purpose and time-restricted net assets	(16,309,643)	(14,240,943)
Donor-restricted endowment funds	(810,000)	(810,000)
Board-designated endowment fund	(14,768,882)	(12,242,997)
Amount Available for General Expenditures Within One Year	\$ 35,102,182	\$ 35,465,592

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

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 10 provides more information about those funds and about the spending policies for all endowment funds.

As part of the liquidity management plan, SEO invests 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 \$14,768,882 and \$12,242,997 as of August 31, 2023 and 2022, 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. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

5. Contributions and Grants Receivable, Net

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

August 31,

	2023		2022	
	Contributions	Grants	Contributions	Grants
Within one year	\$ 2,584,926	\$ 4,477,503	\$ 2,041,426	\$ 3,932,035
In one to five years	264,185	8,408,000	2,150,000	6,666,018
In more than five years	-	-	-	-
	2,849,111	12,885,503	4,191,426	10,598,053
Less: discount to present value	(34,117)	(1,734,289)	(120,433)	(839,706)
Allowance for uncollectible pledges	(150,894)	-	(143,812)	-
Net Amount	\$ 2,664,100	\$ 11,151,214	\$ 3,927,181	\$ 9,758,347

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 8.50% and 5.50% in 2023 and 2022, respectively. The discount rates were the bank prime loan rates.

6. Investments, at Fair Value

SEO's investments recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with GAAP. See Note 2 for a discussion of SEO's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SEO's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to the SEO's investments measured at fair value are as follows:

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Mutual Funds and Equities - These investments are carried at their aggregate market value as determined by quoted market prices. These investments are classified as Level 1.

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

<i>August 31,</i>	2023	2022
Mutual funds and equities	\$ 29,489,645	\$ 25,662,890
Total Investments	\$ 29,489,645	\$ 25,662,890

As of August 31, 2023 and 2022, all investments were considered Level 1 investments.

7. Property, Furniture, and Equipment, Net

Property, furniture, and equipment consist of the following:

<i>August 31,</i>	2023	2022
Office condominium	\$ 10,426,109	\$ 10,426,109
Furniture and equipment	3,713,461	3,602,214
Leasehold improvements	14,920	14,920
	14,154,490	14,043,243
Less: accumulated depreciation	(7,900,056)	(7,347,565)
Construction in progress	67,803	-
	\$ 6,322,237	\$ 6,695,678

Depreciation expense charged to operations in 2023 and 2022 was \$552,491 and \$583,567, respectively. The estimated cost to complete the construction in progress is approximately \$5,698,000.

8. In-Kind Contributions

SEO received donated services and free facility usage as follows:

<i>August 31,</i>	2023	2022
Program - contributed space	\$ 1,178,100	\$ 776,000
Program - contributed services:		
Seminars, orientation, speakers, and other	398,651	70,633
Total	\$ 1,576,751	\$ 846,633

The values of these donations were included as in-kind contributions with corresponding expenses in the financial statements. There were no donor-imposed restrictions associated with the donated services or assets.

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9. Net Assets with Donor Restrictions

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

<i>August 31,</i>	2023	2022
Subject to expenditure for specified purpose:		
Scholars Program	\$ 4,323,603	\$ 6,822,863
Career Program	1,497,000	3,014,216
College Program	43,000	43,000
Leadership Institute	4,300,000	-
San Francisco Scholars	1,940,751	2,328,004
National expansion	720,000	-
Time restricted	2,500,000	-
Other	225,000	1,500,000
	15,549,354	13,708,083
Endowments:		
Subject to appropriation and expenditure in accordance with SEO's spending policy:		
Restricted by donors for Scholars Program	760,289	532,860
	760,289	532,860
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	1,570,289	1,342,860
	\$ 17,119,643	\$ 15,050,943

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>	2023	2022
Satisfaction of purpose restrictions:		
High School Scholars Program	\$ (3,230,531)	\$ (5,014,967)
Career Program	(1,530,216)	(664,000)
College Program	-	(1,250)
San Francisco Scholars	(1,292,468)	(1,328,737)
Alternative Investments	-	(100,000)
Time restriction lapsed	(1,000,000)	(500,000)
	\$ (7,053,215)	\$ (7,608,954)

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10. 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 Expansion Fund. As of August 31, 2023 and 2022, the fund generated \$12,768,882 and \$10,242,997, respectively, in investment income.

In addition, all generated surplus from unrestricted funds is to be designated for the board-designated general fund, which totaled \$29,261,429 and \$29,368,678 as of August 31, 2023 and 2022, respectively.

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

	2023	2022
Board-Designated Endowment Net Assets , beginning of year	\$ 12,242,997	\$ 15,113,283
Investment income (loss)	2,525,885	(2,870,286)
Board-Designated Endowment Net Assets , end of year	\$ 14,768,882	\$ 12,242,997

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 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

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(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.

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, 2023 and 2022 respectively, there are no underwater endowments.

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

August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Net Endowment Funds			
Board-designated endowment funds	\$ 14,768,882	\$ -	\$ 14,768,882
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	-	760,289	760,289
Total Net Endowment Funds	\$ 14,768,882	\$ 1,570,289	\$ 16,339,171

August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Net Endowment Funds			
Board-designated endowment funds	\$ 12,242,997	\$ -	\$ 12,242,997
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	-	532,860	532,860
Total Net Endowment Funds	\$ 12,242,997	\$ 1,342,860	\$ 13,585,857

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The changes in endowment net assets are as follows:

August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 12,242,997	\$ 1,342,860	\$ 13,585,857
Net investment gain	2,525,885	227,429	2,753,314
Endowment Net Assets, end of year	\$ 14,768,882	\$ 1,570,289	\$ 16,339,171

August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 15,113,283	\$ 1,540,224	\$ 16,653,507
Net investment loss	(2,870,286)	(197,364)	(3,067,650)
Endowment Net Assets, end of year	\$ 12,242,997	\$ 1,342,860	\$ 13,585,857

11. Special Events

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

August 31,	2023	2022
Revenues	\$ 15,529,312	\$ 14,582,746
Less: direct costs	(1,897,828)	(1,447,869)
Net Proceeds	\$ 13,631,484	\$ 13,134,877

12. Commitments

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.

13. 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, 2023 and 2022 were \$777,887 and \$572,730, respectively.

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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 (\$11,250 of \$22,500 for 2023) 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, 2023 and 2022, investments in these accounts consist of mutual funds valued at \$1,741,874 and \$1,376,235, respectively, and are included as retirement plan asset with corresponding retirement plan liability on the statements of financial position.

14. Subsequent Events

SEO has performed subsequent event procedures through March 29, 2024, the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements.