

Sponsors for Educational Opportunity, Inc.

Financial Statements
Years Ended August 31, 2024 and 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Sponsors for Educational Opportunity, Inc.

Financial Statements
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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 the statements of financial position as of August 31, 2024 and 2023, 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, 2024 and 2023, 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 (GAAP).

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 GAAP, 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 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.

February 17, 2025

Sponsors for Educational Opportunity, Inc.

Statements of Financial Position

<i>August 31,</i>	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 23,091,591	\$ 21,858,998
Contributions receivable, net	11,939,070	8,889,179
Prepaid expenses	1,249,538	860,662
Other current assets	283,879	155,445
Investments, at fair value	34,854,668	28,679,645
Total Current Assets	71,418,746	60,443,929
Contributions Receivable, Net, long-term portion	26,241,768	6,752,885
Retirement Plan Asset	2,055,218	1,741,874
Investments, at fair value, long-term portion	810,000	810,000
Property, Furniture, and Equipment, Net	12,382,580	6,322,237
Total Assets	\$ 112,908,312	\$ 76,070,925
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,143,309	\$ 2,596,052
Accrued compensation and related liabilities	1,176,371	1,041,490
Deferred revenue	1,984,144	1,221,720
Total Current Liabilities	6,303,824	4,859,262
Retirement Plan Liability	2,052,516	1,739,472
Total Liabilities	8,356,340	6,598,734
Net Assets		
Without donor restrictions:		
Net investment in property, furniture, and equipment	12,382,580	6,322,237
Designated by the Board for endowment	20,254,841	14,768,882
Designated by the Board for general fund	29,065,962	29,261,429
Designated by the Board for operating reserve	2,000,000	2,000,000
Total Net Assets Without Donor Restrictions	63,703,383	52,352,548
With donor restrictions:		
Purpose and time restrictions	40,038,589	16,309,643
Perpetual in nature	810,000	810,000
Total Net Assets with Donor Restrictions	40,848,589	17,119,643
Total Net Assets	104,551,972	69,472,191
Total Liabilities and Net Assets	\$ 112,908,312	\$ 76,070,925

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements of Activities

Year ended August 31,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Contributions	\$ 26,084,465	\$ 32,610,521	\$ 58,694,986	\$ 23,030,334	\$ 8,529,786	\$ 31,560,120
Special events, net of direct costs of \$2,011,663 and \$1,897,828 for the years ended August 31, 2024 and 2023, respectively	12,598,503	-	12,598,503	13,631,484	-	13,631,484
In-kind contributions	5,113,428	-	5,113,428	1,576,751	-	1,576,751
Net assets released from restrictions	9,131,409	(9,131,409)	-	7,053,215	(7,053,215)	-
Total Operating Revenues	52,927,805	23,479,112	76,406,917	45,291,784	1,476,571	46,768,355
Expenses						
Program services	40,783,122	-	40,783,122	38,566,060	-	38,566,060
Supporting services:						
Management and general	5,148,945	-	5,148,945	5,053,167	-	5,053,167
Development	2,371,597	-	2,371,597	2,170,367	-	2,170,367
Total Expenses	48,303,664	-	48,303,664	45,789,594	-	45,789,594
Change in Net Assets, before non-operating revenues	4,624,141	23,479,112	28,103,253	(497,810)	1,476,571	978,761
Non-Operating Revenues						
Net investment return	6,715,581	249,834	6,965,415	2,543,005	592,129	3,135,134
Other income	11,113	-	11,113	-	-	-
Total Non-Operating Revenues	6,726,694	249,834	6,976,528	2,543,005	592,129	3,135,134
Changes in Net Assets	11,350,835	23,728,946	35,079,781	2,045,195	2,068,700	4,113,895
Net Assets, beginning of year	52,352,548	17,119,643	69,472,191	50,307,353	15,050,943	65,358,296
Net Assets, end of year	\$ 63,703,383	\$ 40,848,589	\$ 104,551,972	\$ 52,352,548	\$ 17,119,643	\$ 69,472,191

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements of Functional Expenses

Year ended August 31, 2024

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Development		
Salary and Related Expenses					
Salaries	\$ 22,771,656	\$ 2,607,066	\$ 1,407,406	\$ 4,014,472	\$ 26,786,128
Payroll taxes and benefits	6,056,333	761,369	407,631	1,169,000	7,225,333
Total Salary and Related Expenses	28,827,989	3,368,435	1,815,037	5,183,472	34,011,461
Contractor and consultant services and other professional services	5,558,879	1,005,962	224,346	1,230,308	6,789,187
Scholarship, stipends, and grants	1,558,606	1,294	211	1,505	1,560,111
Printing	154,740	18,136	1,076	19,212	173,952
Travel and conferences	2,386,186	91,292	37,625	128,917	2,515,103
Property maintenance fees	689,419	213,058	34,717	247,775	937,194
Postage and shipping	35,509	2,601	443	3,044	38,553
Telephone	356,272	29,845	18,769	48,614	404,886
Supplies	334,659	16,190	5,186	21,376	356,035
Insurance	108,716	115,831	18,725	134,556	243,272
Equipment maintenance	284,504	28,812	15,506	44,318	328,822
Bad debt expense	6,000	21,078	118,500	139,578	145,578
Miscellaneous	188,422	10,362	36,441	46,803	235,225
In-kind expense (Note 8)	-	13,428	-	13,428	13,428
Total Expenses, before depreciation	40,489,901	4,936,324	2,326,582	7,262,906	47,752,807
Depreciation	293,221	212,621	45,015	257,636	550,857
Total Expenses	\$ 40,783,122	\$ 5,148,945	\$ 2,371,597	\$ 7,520,542	\$ 48,303,664

See accompanying notes to financial statements.

Sponsors for Educational Opportunity, Inc.

Statements 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	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.

Statements of Cash Flows

Year ended August 31,	2024	2023
Cash Flows from Operating Activities		
Changes in net assets	\$ 35,079,781	\$ 4,113,895
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	550,857	552,491
Unrealized and realized appreciation in fair value of investments	(5,532,901)	(2,548,143)
Change in discount on contributions receivable	2,223,205	808,267
Donated property	(5,100,000)	-
Donated securities	(1,095,000)	-
Bad debt expense	145,578	102,671
Decrease (increase) in assets:		
Contributions receivable	(24,907,557)	(1,074,599)
Other current assets	(128,434)	(50,932)
Retirement plan asset	(313,344)	(365,639)
Prepaid expenses	(388,876)	(471,921)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	547,257	(364,053)
Retirement plan liability	313,044	360,547
Accrued compensation and related liabilities	134,881	280,970
Deferred revenue	762,424	354,867
Net Cash Provided by Operating Activities	2,290,915	1,698,421
Cash Flows from Investing Activities		
Purchase of property, furniture, and equipment	(1,511,200)	(179,050)
Sale of investments	1,092,000	-
Purchase of investments	(639,122)	(1,278,612)
Net Cash Used in Investing Activities	(1,058,322)	(1,457,662)
Net Increase in Cash	1,232,593	240,759
Cash and Cash Equivalents, beginning of year	21,858,998	21,618,239
Cash and Cash Equivalents, end of year	\$ 23,091,591	\$ 21,858,998
Supplemental Disclosure of Cash Flow Information		
In-kind contributions	\$ 5,113,428	\$ 1,576,751

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 1963 to help close opportunity gaps by preparing 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 six major programs:

- The SEO Scholars Program is a free eight-year academic program that transforms public high school students into college graduates. The SEO Scholars Program successfully educates and mentors low-income public high school students to and through college. 100% of scholars are accepted into four-year colleges and 85% of scholars graduate from college and earn a bachelor's degree. This is compared to only 60% of all students who enter college nationally, and 20% of students who come from similar backgrounds as SEO's scholars. In addition to locations in New York City and San Francisco, the SEO Scholars Program has expanded its programs to include North Carolina and Miami. All are welcome to apply.
- The SEO Career Program has, for more than 40 years, recruited and prepared high-achieving undergraduates for summer internships across Wall Street, commercial real estate, technology, and corporate America, usually leading to coveted, full-time jobs. Today, the SEO Career Program continues to close the career opportunity gap for motivated young people. All are welcome to apply.
- The SEO Tech Developer Program was founded as a virtual, intensive, free immersion program to propel first-year and sophomore computer science and software engineering college students to the next level—including a paid six-week summer residency. All are welcome to apply.
- The SEO Law Fellowship program helps future lawyers thrive in law school and excel in their legal careers. Through SEO's two program initiatives, the SEO Law Fellowship Program and SEO Law Catalyst, aspiring law students receive access to critical educational, career development, and internship opportunities that propel them to succeed in the legal profession, all before even starting law school. All are welcome to apply.
- The SEO Alternative Investments program is an industry-wide program that historically has provided education, exposure, training, and mentorship opportunities to high-achieving college students and young professionals in the alternative investments sector. All are welcome to apply.
- The SEO Leadership Institute provides ongoing development for SEO alumni and their peers, customized for each stage of their career, with three distinct features: making connections, professional and personal development, and civic engagement. The SEO Leadership Institute helps develop SEO alumni into leaders who will leverage their success to create opportunities for others.

Sponsors for Educational Opportunity, Inc.

Notes to Financial Statements

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.

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 investment return is reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions or the New York Prudent Management of Institutional Funds Act (NYPMIFA) (see Note 10).

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.

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Notes to Financial Statements

Measure of Operations

SEO includes in its measure of operations:

- All revenues and expenses that are an integral part of its programs and supporting activities.
- Net assets released from restrictions to support operating expenditures.

SEO excludes from its measure of operations:

- Investment return, net of expenses.
- Other income.

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, 2024 and 2023.

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, 2024, 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

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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 \$209,972 and \$150,894 relating to contributions receivable at August 31, 2024 and 2023, respectively. During the years ended August 31, 2024 and 2023, bad debt expense of \$145,578 and \$102,671 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 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.

Applicability of the New York Prudent Management of Institutional Funds Act

On September 17, 2010, New York state enacted NYPMIFA. This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), made significant changes to the rules governing how New York not-for-profit organizations may manage, invest, and spend their endowment funds. The law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times.

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.

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.

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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 is computed using the straight-line method over estimated useful lives of the assets ranging from three 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, 2024 and 2023.

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*.

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.

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Contributed space relates to certain office spaces that SEO occupies, without charge. 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.

Additionally, during fiscal year 2024, SEO received a donation of three office condominium units with an estimated value of \$5,100,000. The fair value was determined based on an independent appraisal using the sales comparison approach.

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 time and effort.

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 balances have been reclassified to be consistent with the current-year financial statement presentation.

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,

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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. The adoption of this ASU did not have a material impact on the financial statements.

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 losses 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 Topic 606, *Revenue from Contracts with Customers* (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. On September 1, 2023, as required, SEO adopted the guidance prospectively. The adoption of this ASU did not have a material impact on the 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>	2024	2023
Financial Assets		
Cash and cash equivalents	\$ 23,091,591	\$ 21,858,998
Contributions receivable, net	38,180,838	15,642,064
Investments	35,664,668	29,489,645
Total Financial Assets	96,937,097	66,990,707
Less:		
Financial assets held to meet donor-imposed restrictions:		
Purpose and time-restricted net assets	(40,038,589)	(16,309,643)
Donor-restricted endowment funds	(810,000)	(810,000)
Board-designated endowment fund	(20,254,841)	(14,768,882)
Amount Available for General Expenditures		
 Within One Year	\$ 35,833,667	\$ 35,102,182

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. The surplus for the current year includes three major grants totaling \$28,000,000 and includes future payments over eight years mainly to meet the \$30,000,000 in expenses budgeted over an eight year period for the newly launched SEO Scholars Miami program (see Note 5). Also, SEO received an in-kind donation of real property valued at \$5,100,000 as discussed in Note 8. Cash on hand at year end does not include these amounts. 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 operating

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reserve. 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 \$20,254,841 and \$14,768,882 as of August 31, 2024 and 2023, respectively. Additionally, to help manage unanticipated liquidity issues, SEO has an available line of credit in the amount of \$4,000,000.

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 Receivable, Net

Contributions receivable are scheduled to be collected as follows:

<i>August 31,</i>	2024	2023
Within one year	\$ 11,939,070	\$ 8,889,179
In one to five years	19,693,351	8,672,185
In more than five years	10,750,000	-
	42,382,421	17,561,364
Less: discount to present value	(3,991,611)	(1,768,406)
Allowance for uncollectible pledges	(209,972)	(150,894)
Net Amount	\$ 38,180,838	\$ 15,642,064

Contributions expected to be collected in more than one year are reflected at the present value of estimated future cash flows using discount rates based on 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 SEO's investments measured at fair value are as follows:

A description of the valuation techniques applied to SEO's major categories of assets measured at fair value is as follows. There were no changes in valuation methodologies as of August 31, 2024.

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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>	2024	2023
Mutual funds and equities	\$ 35,664,668	\$ 29,489,645
Total Investments	\$ 35,664,668	\$ 29,489,645

As of August 31, 2024 and 2023, 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>	2024	2023
Office condominium	\$ 15,550,233	\$ 10,426,109
Furniture and equipment	1,374,662	3,713,461
Leasehold improvements	-	14,920
	16,924,895	14,154,490
Less: accumulated depreciation	(5,866,944)	(7,900,056)
Add: construction in progress	1,324,629	67,803
	\$ 12,382,580	\$ 6,322,237

Depreciation expense charged to operations in 2024 and 2023 was \$550,857 and \$552,491, respectively. The estimated cost to complete the construction in progress is approximately \$5,644,000.

8. In-Kind Contributions

SEO received donated services and free facility usage as follows:

<i>August 31,</i>	2024	2023
Program - contributed space and property	\$ 5,100,000	\$ 1,178,100
Program - contributed services:		
Seminars, orientation, speakers, and other	13,428	398,651
Total	\$ 5,113,428	\$ 1,576,751

The values of these service and space donations were included as in-kind contributions with corresponding expenses in the financial statements. The property donation was included in property, furniture, and equipment 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>	2024	2023
Subject to expenditure for specified purpose:		
Scholars Program	\$ 2,638,630	\$ 4,323,603
Career Program	1,394,264	1,497,000
College Program	43,000	43,000
Leadership Institute	2,817,423	4,300,000
San Francisco	2,165,220	1,940,751
National expansion	503,485	720,000
Other	60,000	225,000
New York	10,793,619	-
Miami	17,144,645	-
Time restricted	1,634,847	2,500,000
	39,195,133	15,549,354
Endowments:		
Subject to appropriation and expenditure in accordance with SEO's spending policy:		
Restricted by donors for Scholars Program	843,456	760,289
	843,456	760,289
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	1,653,456	1,570,289
	\$ 40,848,589	\$ 17,119,643

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>	2024	2023
Satisfaction of purpose restrictions:		
Scholars Program	\$ (1,729,358)	\$ -
Leadership Institute	(1,300,000)	-
Career Program	(13,000)	(1,530,216)
Law Catalyst	(87,500)	-
High school	(20,000)	(3,230,531)
SEO Tech	(57,500)	-
Discount	(3,598,801)	-
San Francisco	(1,645,250)	(1,292,468)
National expansion	(180,000)	-
Time restriction lapsed	(500,000)	(1,000,000)
	\$ (9,131,409)	\$ (7,053,215)

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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 for operating reserve. In addition, the Board of Directors designated a board endowment fund for the eight-year expansion plan of the Scholars NYC Expansion Fund.

All generated surplus from the remaining unrestricted funds is to be designated for the board-designated general fund, which totaled \$29,065,962 and \$29,261,429 as of August 31, 2024 and 2023, respectively.

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 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 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

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by law that extends donor restrictions. At August 31, 2024 and 2023, there are no underwater endowments.

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

August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Net Endowment Funds			
Board-designated endowment funds	\$ 20,254,841	\$ -	\$ 20,254,841
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	-	843,456	843,456
Total Net Endowment Funds	\$ 20,254,841	\$ 1,653,456	\$ 21,908,297

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

The changes in endowment net assets are as follows:

August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 14,768,882	\$ 1,570,289	\$ 16,339,171
Increase in board-designated net assets:			
Increase for net investment gain	5,485,959	83,167	5,569,126
Endowment Net Assets, end of year	\$ 20,254,841	\$ 1,653,456	\$ 21,908,297

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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
Increase in board-designated net assets:			
Increase for 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

11. Special Events

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

<i>August 31,</i>	2024	2023
Revenues	\$ 14,610,166	\$ 15,529,312
Less: direct costs	(2,011,663)	(1,897,828)
Net Proceeds	\$ 12,598,503	\$ 13,631,484

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.

Unfunded Commitments

As of August 31, 2024, SEO was committed to contributing approximately \$8,200,000 of capital to a limited partnership based on the term of the investment period, as defined in the limited partnership agreement. These funds may be drawn after the commitment period ends for fees and prior commitments before the end of the period. Additionally, SEO may receive income in the form of distributions from its investment with this manager.

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, 2024 and 2023 were \$833,735 and \$777,887, 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

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participate immediately. There is no vesting period, and employee accounts are self-managed. An individual can defer up to half of the statutory limitation (\$11,500 of \$23,000 for 2024) from his or her salary. SEO makes an employer matching contribution up to the statutory limitation, which for the years ended August 31, 2024 and 2023 was \$182,807 and \$250,926, respectively. 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, 2024 and 2023, investments in these accounts consist of mutual funds valued at \$2,055,218 and \$1,741,874, respectively, and are included as retirement plan asset with corresponding retirement plan liability on the statements of financial position.

14. Line of Credit

In June 2024, SEO entered into a \$4,000,000 line of credit from a financial institution. The line of credit expires on June 5, 2025. The interest rate on the line of credit is the Secured Overnight Financing Rate (SOFR) plus 3.806%. As of August 31, 2024, there was no outstanding balance on the line of credit.

15. Subsequent Events

SEO has performed subsequent event procedures through February 17, 2025, the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements.