



Financial Statements

For the Year Ended December 31, 2023

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 3
<b>Financial Statements:</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 19

## Independent Auditor's Report

**To the Board of Directors  
Alliance for Education  
Seattle, Washington**

### Opinion

We have audited the financial statements of the Alliance for Education (the Alliance) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alliance as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Report on Summarized Comparative Information

We have previously audited the Alliance's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **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 the Alliance's ability to continue as a going concern for 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 the Alliance'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 the Alliance'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.

*Clark Nuber P.S.*

Certified Public Accountants  
July 29, 2024

**ALLIANCE FOR EDUCATION**

**Statement of Financial Position  
December 31, 2023  
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,302,260	\$ 5,666,297
School affiliated cash accounts	1,764,335	1,757,051
Accounts receivable and prepaid expenses	44,649	312,988
Promises to give, net (Note 2)	247,550	325,906
<b>Total Current Assets</b>	<b>8,358,794</b>	<b>8,062,242</b>
<b>Noncurrent Assets:</b>		
Investments (Note 4)	8,642,204	7,942,551
Operating right-of-use asset	422,253	558,155
Furniture, equipment and leasehold improvements, net (Note 3)	32,200	26,788
Other assets	20,230	20,230
<b>Total Assets</b>	<b><u>\$ 17,475,681</u></b>	<b><u>\$ 16,609,966</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 177,454	\$ 203,849
Grants payable	1,649,932	1,898,290
Funds held for others	651,863	445,926
Short-term operating lease liability	130,839	123,901
<b>Total Current Liabilities</b>	<b>2,610,088</b>	<b>2,671,966</b>
Long-term operating lease liability	318,049	459,423
<b>Total Liabilities</b>	<b>2,928,137</b>	<b>3,131,389</b>
<b>Net Assets:</b>		
Without donor restrictions	1,251,329	1,215,931
With donor restrictions (Notes 9 and 10)	13,296,215	12,262,646
<b>Total Net Assets</b>	<b><u>14,547,544</u></b>	<b><u>13,478,577</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 17,475,681</u></b>	<b><u>\$ 16,609,966</u></b>

See accompanying notes.

## ALLIANCE FOR EDUCATION

### Statement of Activities For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>Operating</b>				
<b>Public Support and Revenue:</b>				
Contributions	\$ 1,003,871	\$ 2,959,640	\$ 3,963,511	\$ 4,129,393
Special events, net (Note 7)	48,294		48,294	120,648
Operating investment returns (Note 4)	367,708		367,708	107,778
Other income	537,826		537,826	676,027
	<u>1,957,699</u>	<u>2,959,640</u>	<u>4,917,339</u>	<u>5,033,846</u>
Net assets released from restrictions	3,283,924	(3,283,924)		
Endowment appropriations (Note 9)		356,567	356,567	295,956
	<u>5,241,623</u>	<u>32,283</u>	<u>5,273,906</u>	<u>5,329,802</u>
<b>Expenses:</b>				
Program services	3,631,790		3,631,790	5,606,324
Management and general	933,301		933,301	827,086
Fundraising	641,134		641,134	728,419
	<u>5,206,225</u>	<u>32,283</u>	<u>5,206,225</u>	<u>7,161,829</u>
<b>Change in Net Assets - Operating</b>	<b>35,398</b>	<b>32,283</b>	<b>67,681</b>	<b>(1,832,027)</b>
<b>Nonoperating</b>				
Endowment investment returns (Note 4)		1,357,853	1,357,853	(1,600,261)
Endowment appropriations (Note 9)		(356,567)	(356,567)	(295,956)
	<u>35,398</u>	<u>1,001,286</u>	<u>1,001,286</u>	<u>(1,896,217)</u>
<b>Change in Net Assets - Nonoperating</b>	<b>35,398</b>	<b>1,001,286</b>	<b>1,001,286</b>	<b>(1,896,217)</b>
<b>Total Change in Net Assets</b>	<b>35,398</b>	<b>1,033,569</b>	<b>1,068,967</b>	<b>(3,728,244)</b>
Net assets, beginning of year	<u>1,215,931</u>	<u>12,262,646</u>	<u>13,478,577</u>	<u>17,206,821</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 1,251,329</u></b>	<b><u>\$ 13,296,215</u></b>	<b><u>\$ 14,547,544</u></b>	<b><u>\$ 13,478,577</u></b>

See accompanying notes.

**ALLIANCE FOR EDUCATION**

**Statement of Functional Expenses  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)**

	Program Services			Supporting Services			2023 Total	2022 Total
	Educational Investments	Affiliated School Activities	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Grants, scholarships and awards	\$ 455,302	\$ 531,073	\$ 986,375	\$ -	\$ 1,603	\$ 1,603	\$ 987,978	\$ 3,140,682
Salaries and wages	743,997		743,997	413,728	370,288	784,016	1,528,013	1,369,608
Payroll taxes	63,634		63,634	36,028	32,588	68,616	132,250	119,454
Benefits	120,284		120,284	62,320	60,041	122,361	242,645	243,966
Contract services	64,030	82,702	146,732	224,644	54,500	279,144	425,876	569,285
Special events					162,993	162,993	162,993	133,410
Postage and printing	10,304	12,976	23,280	3,223	16,667	19,890	43,170	29,674
Travel, meetings, meals and appreciation	32,768	123,291	156,059	35,728	3,782	39,510	195,569	107,373
Occupancy	63,458		63,458	38,534	33,266	71,800	135,258	109,792
Payroll administrative fees				60,450		60,450	60,450	84,620
Supplies and maintenance	1,111,703	135,159	1,246,862	23,009	18,101	41,110	1,287,972	1,270,041
Telephone	5,655	493	6,148	4,722	2,607	7,329	13,477	15,474
Bad debt		423	423		14,900	14,900	15,323	
Miscellaneous	51,314	16,437	67,751	27,493	29,367	56,860	124,611	89,336
Depreciation	6,787		6,787	3,422	3,424	6,846	13,633	12,524
<b>Total expenses</b>	<b>2,729,236</b>	<b>902,554</b>	<b>3,631,790</b>	<b>933,301</b>	<b>804,127</b>	<b>1,737,428</b>	<b>5,369,218</b>	<b>7,295,239</b>
Less special events					(162,993)	(162,993)	(162,993)	(133,410)
<b>Total Operating Expenses</b>	<b>\$ 2,729,236</b>	<b>\$ 902,554</b>	<b>\$ 3,631,790</b>	<b>\$ 933,301</b>	<b>\$ 641,134</b>	<b>\$ 1,574,435</b>	<b>\$ 5,206,225</b>	<b>\$ 7,161,829</b>

See accompanying notes.



**ALLIANCE FOR EDUCATION**

**Statement of Cash Flows  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Operating Activities:</b>		
Change in net assets	\$ 1,068,967	\$ (3,728,244)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Noncash items included in change in net assets:		
Depreciation	13,633	12,524
Net realized and unreleased (gains) losses	(1,375,115)	1,667,009
Change in operating accounts:		
Promises to give	78,356	1,267,507
Accounts receivable and prepaid expenses	268,339	(223,754)
Accounts payable and accrued expenses	(26,395)	(48,255)
Grants payable	(248,358)	1,476,974
Funds held for others	205,937	(84,753)
Operating right-of-use asset, net of lease liability	1,466	25,169
Other assets		(1,281)
Deferred rent		(1,881)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(13,170)</b>	<b>361,015</b>
<b>Investing Activities:</b>		
Purchases of furniture, equipment and leasehold improvements	(19,045)	(22,778)
Purchases of investments	(1,604,837)	(1,098,496)
Proceeds from sale of investments	2,280,299	1,267,542
<b>Net Cash Provided by Investing Activities</b>	<b>656,417</b>	<b>146,268</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>643,247</b>	<b>507,283</b>
Cash and cash equivalents and school affiliated cash, beginning of year	7,423,348	6,916,065
<b>Cash and Cash Equivalents and School Affiliated Cash, End of Year</b>	<b>\$ 8,066,595</b>	<b>\$ 7,423,348</b>
<p>The following table provides a reconciliation of cash and cash equivalents and school affiliated cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statements of cash flows:</p>		
Cash and cash equivalents	\$ 6,302,260	\$ 5,666,297
School affiliated cash accounts	1,764,335	1,757,051
<b>Total Cash and Cash Equivalents and School Affiliated Cash Shown in the Statement of Cash flows</b>	<b>\$ 8,066,595</b>	<b>\$ 7,423,348</b>

See accompanying notes.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 1 - Organization and Significant Accounting Policies

**Organization** - The Alliance for Education (the Alliance) is a nonprofit organization founded in 1995 and located in Seattle, Washington. The mission of the Alliance is to support excellence in education by advancing educational justice and racial equity for the students in Seattle Public Schools (SPS). The Alliance envisions a deeply invested community that collectively ensures all students experience a sense of belonging, receive an excellent and equitable education, and reach their fullest potential.

**Description of Program Services** - The Alliance has four main focus areas:

Convening and Collective Impact - *Identifying and convening stakeholders who will support advancing racial equity and educational justice*

The Alliance brings together community stakeholders to support excellence in education by advancing racial equity and educational justice in SPS. Stakeholders include philanthropic partners, government entities, direct service providers, district educators, staff and community members. Collaboration efforts result in fundraising, awareness-raising and convenings on behalf of SPS students.

Innovation - *Identifying, creating and supporting programs and initiatives that advance racial equity and educational justice*

Innovation takes many forms at the Alliance, including the development of direct service programs. The Alliance staff works in partnership with SPS leaders to identify, design and implement innovative strategies and programs that enhance racial equity and educational justice in the SPS system. Our flagship direct service program today is the Seattle Teacher Residency (STR). STR addresses key operational challenges facing Seattle Public Schools by selecting, training, supporting, and retaining exceptional teachers who reflect the rich diversity of the district.

Investment - *Raising dollars to support initiatives that advance racial equity and educational justice*

The Alliance engages in a range of capacity building activities to advance racial equity and educational excellence in SPS, including supporting school-based fundraising, leveraging private contributions to increase equity in schools, and managing the Right Now Needs Fund and the Education Equity Fund. The Right Now Needs Fund provides a fund for every school in SPS to address the basic needs of students, and is intended to support student ability to focus on learning, by reducing challenges related to gaps in basic need support. The Education Equity Fund was created to raise funds to address remote learning needs for SPS students during the COVID-19 pandemic, and will continue to generate support to increase equity for SPS students on an on-going basis.

Storytelling - *Raising visibility of SPS strengths and challenges to create awareness and inspire partnership, investment, and support*

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 1 - Continued

The Alliance believes that a key strategy for community engagement in public education is ensuring the community hears the stories of our students, teachers and the education sector. We aim to increase community awareness of and investment in educational equity by celebrating effective educators, recognizing district strengths, and highlighting ways to address district challenges. Each year the Alliance celebrates and highlights SPS educators with awards for their work in supporting student success and increasing equity in schools. These awards include the annual Thomas B. Foster Award for Principal Excellence, recognizing SPS principals for their work to increase racial equity and educational justice in their schools.

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Alliance and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Alliance or the passage of time. This also includes net assets with donor-imposed stipulations that they be maintained in perpetuity by the Alliance in an endowment fund.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Cash and Cash Equivalents** - For reporting purposes, the Alliance considers all highly liquid investments with an original maturity of three months or less, other than those held in the investment portfolio, to be cash equivalents.

The Alliance holds a majority of its cash and cash equivalents with one financial institution. The balances usually exceed federally insured deposit limits.

**Promises to Give and Accounts Receivable** - Unconditional promises to give and accounts receivable are stated at net realizable value. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), unconditional promises to give are recognized as support in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2023 the Alliance had no outstanding conditional promises to give not recognized as of year end. It is the Alliance's policy to evaluate the collectability of promises to give and reserve for uncollectible amounts.

Promises to give at December 31, 2023, included pledges from three organizations totaling \$201,150 or 81% of total gross promises to give. Promises to give at December 31, 2022, included pledges from three organizations totaling \$185,000 or 56% of total gross promises to give. Management is aware of this concentration and believes there is minimal risk associated with these promises to give.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 1 - Continued

**Other Revenue** - The Alliance provides professional services for STR, state agencies, and the Alliance's fiscal agencies, including providing programmatic services, administering payments to beneficiaries, and providing fiscal agency support. Revenue from these contracts is recognized over time as the service is provided. For cost-reimbursement contracts, the output method is used, whereby revenue is recognized as expenses are incurred under the contract. For flat-fee contracts, revenue is recognized ratably over the term of the contract.

The Alliance extends credit to customers as part of sales process with typical payment terms of 30 days. Trade accounts receivable are stated at the amount the Alliance expects to collect. The Alliance has determined that based upon historical credit loss rates adjusted for current economic conditions that an allowance for credit losses would not be material. As such, the Alliance has not recorded an allowance for credit losses at December 31, 2023 or 2022.

Other revenue accounts receivable are included in accounts receivable and prepaid expenses on the statements of financial position as follows:

	2023	2022	
	December 31	December 31	January 1
Other revenue accounts receivable	\$ 7,977	\$ 282,974	\$ 75,298

**Investments** - Investments in debt and equity securities with readily determinable fair values are carried at fair value. Investments in securities with no readily determinable fair value are carried at the lower of cost or market. Realized and unrealized gains and losses are reflected in the statement of activities.

**Furniture, Equipment and Leasehold Improvements** - Furniture, equipment and leasehold improvements are stated at cost for purchased assets or estimated fair value at date of receipt for donated assets. The Alliance capitalizes purchases of property and equipment whose acquisition costs are over \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of three to ten years.

**Leases** - The Alliance determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Alliance's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Alliance's leases do not provide an implicit rate of return; thus, the Alliance uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Alliance will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$10,000.

**Grants Payable** - Grants payable represent restricted gifts to various programs and schools in the SPS and other community partners. The amounts are recognized as grant expense and grants payable when the commitment is made.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 1 - Continued

**Funds Held for Others** - The Alliance acts as a fiscal agent for the operation of certain programs of other organizations. At December 31, 2023 and 2022, the Alliance recognized cash and a corresponding liability for funds held for others of \$651,863 and \$445,926, respectively.

**In-Kind Donations** - Donated assets are recorded as contributions at their estimated fair values at the date of donation. Similarly, contributed professional services are recorded at rates that would have been paid for similar services if purchased. In-kind contributions for both the years ended December 31, 2023 and 2022, consisted of donated auction items for use in their special event held during the respective years and totaled \$111,811 and \$34,901, respectively.

**Restricted Support** - All donor-restricted support is reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Gifts of equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

For the year ended December 31, 2023, contributions from three donors totaling \$1,400,000 represented 35% of total contributions and net special event revenues. For the year ended December 31, 2022, contributions from two donors totaling \$1,545,000 represented 37% of total contributions and net special event revenues.

**Salaries, Taxes and Benefits** - The Alliance is an affiliate of the Greater Seattle Chamber of Commerce (the Chamber). As such, personnel are paid by the Chamber and participate in the Chamber's benefit package. This relationship is evidenced by a contract that provides for the Alliance to reimburse the Chamber for employees' wages, benefits, employer taxes and business and occupation taxes on the transactions, and also includes an additional administrative fee.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and related costs are allocated based on a time estimate of where efforts are made. Expenses that cannot be associated with a specific program such as office supplies, occupancy costs, telephone, and depreciation are allocated as a percentage of time spent in each program and department.

**Income Taxes** - The IRS has determined that the Alliance is exempt from federal income taxes under provisions of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and is not a private foundation. Accordingly, no provision for federal income tax has been made in these financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 1 - Continued

**Nonoperating** - Investment return from donor-restricted endowments is considered nonoperating investment return. Investment return from other accounts is considered operating investment return. Contributions to donor-restricted endowments are also considered nonoperating.

**Comparative Totals** - The financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**Subsequent Events** - The Alliance has evaluated subsequent events through July 29, 2024, the date on which the financial statements were available to be issued.

#### Note 2 - Promises to Give

Unconditional promises to give at December 31, 2023 and 2022 were all due within one year. The allowance for doubtful promises to give was \$6,600 for both the years ended December 31, 2023 and 2022.

#### Note 3 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 43,182	\$ 135,321
Leasehold improvements	23,897	33,794
Furniture	<u>54,786</u>	<u>49,880</u>
	121,865	218,995
Less accumulated depreciation	<u>(89,665)</u>	<u>(192,207)</u>
<b>Total Furniture, Equipment and Leasehold Improvements, Net</b>	<b><u>\$ 32,200</u></b>	<b><u>\$ 26,788</u></b>

#### Note 4 - Investments and Fair Value Measurements

The fair value of investment accounts established for the Alliance's endowments and other funds at December 31 are summarized below:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 408,442	\$ 336,165
Fixed income securities	2,072,781	2,811,377
Equity securities	3,710,620	2,586,933
Equity mutual funds	2,307,694	1,999,861
Real asset funds	<u>142,667</u>	<u>208,215</u>
<b>Total Investments</b>	<b><u>\$ 8,642,204</u></b>	<b><u>\$ 7,942,551</u></b>

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 4 - Continued

Investment return for the years ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 415,952	\$ 240,538
Realized and unrealized gains (losses), net	1,375,115	(1,667,009)
Investment fees	<u>(65,506)</u>	<u>(66,012)</u>
<b>Total Investment Returns</b>	<b><u>\$ 1,725,561</u></b>	<b><u>\$ (1,492,483)</u></b>

The Alliance considers investment return from donor-restricted endowment accounts to be nonoperating investment return. Investment return from other accounts is considered operating investment return. Total investment return is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating investment return	\$ 367,708	\$ 107,778
Nonoperating investment return	<u>1,357,853</u>	<u>(1,600,261)</u>
<b>Total Investment Return</b>	<b><u>\$ 1,725,561</u></b>	<b><u>\$ (1,492,483)</u></b>

**Fair Value Measurements** - U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, accounting standards use a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Equity Securities, Equity Mutual Funds and Real Assets Funds - Valued at quoted market prices in active markets.

Fixed Income Securities - Valued using bid valuations from similar instruments in actively quoted markets.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 4 - Continued

**Fair Values Measured on a Recurring Basis** - Fair values of assets and liabilities measured on a recurring basis, were as follows:

	Fair Value Measurements as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 408,442	\$ -	\$ -	\$ 408,442
Fixed income securities	728,109	1,344,672		2,072,781
Equity securities	3,710,620			3,710,620
Equity mutual funds	2,307,694			2,307,694
Real asset funds	142,667			142,667
	<u>\$ 7,297,532</u>	<u>\$ 1,344,672</u>	<u>\$ -</u>	<u>\$ 8,642,204</u>

	Fair Value Measurements as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 336,165	\$ -	\$ -	\$ 336,165
Fixed income securities	703,832	2,107,545		2,811,377
Equity securities	2,586,933			2,586,933
Equity mutual funds	1,999,861			1,999,861
Real asset funds	208,215			208,215
	<u>\$ 5,835,006</u>	<u>\$ 2,107,545</u>	<u>\$ -</u>	<u>\$ 7,942,551</u>

#### Note 5 - Leases

In August 20, 2007, the Alliance entered into a commercial office license agreement for office space used for program, administrative and fundraising activities. The original license agreement was for seven years and has been subsequently amended several times. In May 2022, this lease was renewed with an effective date of March 1, 2022. The new lease requires monthly payments of \$10,752, escalating annually in May. The agreement extends through April 30, 2027.

Facilities expense incurred under the office license agreement totaled \$135,257 and \$137,180 for the years ended December 31, 2023 and 2022, respectively.



**ALLIANCE FOR EDUCATION**

**Notes to Financial Statements  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)**

---

**Note 5 - Continued**

Future minimum payments required under lease are as follows:

For the Year Ending December 31,

2024	\$ 136,738
2025	141,178
2026	145,642
2027	<u>36,690</u>
Total undiscounted cash flows	460,248
Less present value discount	<u>(11,360)</u>
<b>Total Operating Lease Liability</b>	<b><u><u>\$ 448,888</u></u></b>

The components of lease expense for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 144,538	\$ 111,183
Short-term and other lease cost		<u>25,997</u>
<b>Total Leasing Expenses</b>	<b><u><u>\$ 144,538</u></u></b>	<b><u><u>\$ 137,180</u></u></b>

Supplemental cash flow related to leases as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 661,196
Weighted average remaining lease term	3.3 years	4.33 years
Weighted average discount rate	1.56%	1.56%
Cash paid for amounts included in measurement of lease liabilities	\$ 143,072	86,013

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 6 - Grant and Award Commitments

The Alliance has entered into conditional agreements with teachers, mentors and the University of Washington to support the Seattle Teacher Residency. Recognition of liabilities for this support is dependent on acceptance to the program, continuing in the program and performing at a successful level of proficiency. At December 31, 2023 the Alliance recorded a liability of \$135,573 for Cohort 11 (2023-24) resident and mentor stipends for which the conditions have been met. Expected future remaining stipends due to mentors and residents of Cohort 11 that are conditional and are not included in liabilities at December 31, 2023 and total \$140,179.

The Alliance has also made one conditional grant commitment to SPS to support its strategic plan and certain programs. This grant is contingent upon Seattle Public Schools meeting certain conditions and is not recorded as grants payable until those conditions are met. The Alliance committed \$104,903 to SPS for Seattle Teacher Residency Mentor Stipends, as of December 31, 2023, which have been recognized and released as certain conditions were met.

#### Note 7 - Special Events

Revenues and expenses for special events for the years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Event revenues	\$ 211,287	\$ 254,058
Event expenses	<u>(162,993)</u>	<u>(133,410)</u>
<b>Net Special Event Income</b>	<b><u>\$ 48,294</u></b>	<b><u>\$ 120,648</u></b>

During both 2023 and 2022, the Alliance hosted the Annual Gala and Auction as well as the Annual Community Luncheon.

#### Note 8 - Retirement Plan

The Alliance participates in a defined contribution retirement savings and investment plan (the 401(k) Plan). The 401(k) Plan is open to all employees 21 years and older, who can contribute up to 50% of their regular earnings, not to exceed the statutory limit. The Alliance matches up to 6% of each employee's compensation. In addition, after one year of service the Alliance may contribute a discretionary percentage of each participant's annual compensation to the 401(k) Plan. For the years ended December 31, 2023 and 2022, the contribution percentage was 1%. Employer contributions vest incrementally based on years of service up to five years.

The Alliance's contributions to the 401(k) Plan for the years ended December 31, 2023 and 2022 were \$82,512 and \$75,269, respectively.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 9 - Endowments

The Alliance's endowments consist of a number of funds established for a variety of donor-restricted purposes. Its endowments include both endowments with perpetual restrictions and donor-restricted funds set up to function as endowments but allowing for the possibility of spending of corpus, if necessary.

**Interpretation of Relevant Law** - The Alliance's Board of Directors has interpreted the Washington Prudent Management of Institutional Funds Act (PMIFA) and having considered its rights and obligations thereunder, has determined that it is desirable to preserve on a long-term basis the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Alliance classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, and (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Alliance in a manner consistent with the standard of prudence prescribed by PMIFA.

In accordance with PMIFA, the Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Alliance and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Alliance; and
- The investment policies of the Alliance.

Changes to endowment net assets are as follows:

Endowment net assets, December 31, 2022	\$ 6,748,305
Endowment investment return-	
Endowment administration fees	(73,135)
Investment fees	(65,506)
Interest and dividends	167,073
Realized and unrealized gains	<u>1,329,421</u>
Total endowment investment return	1,357,853
Appropriation of endowment for expenditure	<u>(356,567)</u>
<b>Endowment Net Assets, December 31, 2023</b>	<b><u><u>\$ 7,749,591</u></u></b>

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 9 - Continued

Endowment net assets, December 31, 2021	\$ 8,644,522
Endowment investment return-	
Endowment administration fees	(73,828)
Investment fees	(66,012)
Interest and dividends	180,352
Realized and unrealized losses	<u>(1,640,773)</u>
Total endowment investment return	(1,600,261)
Appropriation of endowment for expenditure	<u>(295,956)</u>
<b>Endowment Net Assets, December 31, 2022</b>	<b><u><u>\$ 6,748,305</u></u></b>

**Return Objectives and Risk Parameters** - The Alliance has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support various programs of the Alliance and/or Seattle Public Schools, thereby maximizing the benefits intended by donors, and to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets of the endowments, thereby protecting those assets against inflation. This policy, as approved by the Board of Directors, endeavors to conform to the prudent investor standard, which requires the exercise of reasonable care, skill and caution, and is applied to investments, not in isolation, but in the context of the endowment portfolio and as part of an overall investment strategy, which incorporates risk and return objectives suitable to the endowment.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Alliance relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Alliance targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to the Spending Policy** - The Alliance has a policy of appropriating for distribution each year an amount appropriate to the various endowments. The distribution rate, expressed as a percentage of market value of the endowment investments, is determined on a year-to-year basis by the Executive Committee upon recommendation of the Finance and Audit Committee of the Board.

## ALLIANCE FOR EDUCATION

### Notes to Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for 2022)

---

#### Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2023</u>	<u>2022</u>
Subject to the passage of time or expenditure for specified purpose-		
Breakfast sponsorships	\$ 20,000	\$ 5,000
Luncheon sponsorships	13,000	
Champion sponsorships	45,000	30,000
Future periods		100,000
Educational investments	3,609,051	3,558,443
Affiliated school activities	1,859,573	1,820,898
Endowment supported grants and awards	<u>7,592,764</u>	<u>6,591,478</u>
 Total subject to the passage of time or expenditure for specified purpose	 13,139,388	 12,105,819
 Endowment funds-		
Original gifts and required retained earnings (corpus)	<u>156,827</u>	<u>156,827</u>
 <b>Total Net Assets With Donor Restrictions</b>	 <b><u>\$ 13,296,215</u></b>	 <b><u>\$ 12,262,646</u></b>

#### Note 11 - Liquidity and Availability of Financial Assets

As part of the Alliance's liquidity management, it has a practice/policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Operating funds are held in lower-risk cash and fixed-income securities and are included in the cash and cash equivalents and investments lines on the statement of financial position. The following reflects the Alliance's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,302,260	\$ 5,666,297
School affiliated cash accounts	1,764,335	1,757,051
Accounts receivable	6,926	281,923
Promises to give, net	247,550	325,906
Investments	<u>8,642,204</u>	<u>7,942,551</u>
 Total financial assets	 16,963,275	 15,973,728
 Less funds held for others	 (651,863)	 (445,926)
Less financial assets with donor imposed restrictions	<u>(13,296,215)</u>	<u>(12,262,646)</u>
 <b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	 <b><u>\$ 3,015,197</u></b>	 <b><u>\$ 3,265,156</u></b>