



Financial Statements

For the Year Ended December 31, 2020

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Alliance for Education (the Alliance) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Alliance's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
July 12, 2021

ALLIANCE FOR EDUCATION

**Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,210,039	\$ 4,102,460
School affiliated cash accounts	1,459,307	1,423,959
Accounts receivable and prepaid expenses	33,327	49,631
Promises to give, net (Note 2)	284,606	72,014
Total Current Assets	5,987,279	5,648,064
Noncurrent Assets:		
Furniture, equipment and leasehold improvements, net (Note 3)	18,592	31,301
Investments (Note 4)	9,604,086	7,551,700
Other assets	18,949	18,949
Total Assets	<u>\$ 15,628,906</u>	<u>\$ 13,250,014</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 281,166	\$ 234,353
Grants payable	1,215,173	226,615
Funds held for others	464,283	348,842
Capital lease obligations (Note 5)		2,679
Total Current Liabilities	1,960,622	812,489
Deferred rent	21,270	36,924
Total Liabilities	1,981,892	849,413
Net Assets:		
Without donor restrictions	1,163,686	778,879
With donor restrictions (Notes 10 and 11)	12,483,328	11,621,722
Total Net Assets	<u>13,647,014</u>	<u>12,400,601</u>
Total Liabilities and Net Assets	<u>\$ 15,628,906</u>	<u>\$ 13,250,014</u>

See accompanying notes.

ALLIANCE FOR EDUCATION

**Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Operating				
Public Support and Revenue:				
Contributions	\$ 375,515	\$ 5,233,001	\$ 5,608,516	\$ 3,789,895
Special events, net (Note 8)	243,663		243,663	380,707
Operating investment returns (Note 4)	104,307	(135)	104,172	154,516
Other income	461,335	2,853	464,188	277,241
	<u>1,184,820</u>	<u>5,235,719</u>	<u>6,420,539</u>	<u>4,602,359</u>
Net assets released from restrictions	5,233,036	(5,233,036)		
Endowment appropriations (Note 10)		379,000	379,000	279,300
	<u>6,417,856</u>	<u>381,683</u>	<u>6,799,539</u>	<u>4,881,659</u>
Total Public Support and Revenue				
Expenses:				
Program services	5,064,447		5,064,447	3,725,282
Management and general	537,224		537,224	662,679
Fundraising	431,378		431,378	377,592
	<u>6,033,049</u>	<u> </u>	<u>6,033,049</u>	<u>4,765,553</u>
	<u>6,033,049</u>	<u> </u>	<u>6,033,049</u>	<u>4,765,553</u>
	<u>6,033,049</u>	<u> </u>	<u>6,033,049</u>	<u>4,765,553</u>
Change in Net Assets - Operating	384,807	381,683	766,490	116,106
Nonoperating				
Endowment contributions				1,300
Endowment investment returns (Note 4)		858,923	858,923	1,214,969
Endowment appropriations (Note 10)		(379,000)	(379,000)	(279,300)
		<u>479,923</u>	<u>479,923</u>	<u>936,969</u>
Change in Net Assets - Nonoperating		479,923	479,923	936,969
	<u>384,807</u>	<u>861,606</u>	<u>1,246,413</u>	<u>1,053,075</u>
Total Change in Net Assets	384,807	861,606	1,246,413	1,053,075
Net assets, beginning of year	778,879	11,621,722	12,400,601	11,347,526
	<u>778,879</u>	<u>11,621,722</u>	<u>12,400,601</u>	<u>11,347,526</u>
Net Assets, End of Year	\$ 1,163,686	\$ 12,483,328	\$ 13,647,014	\$ 12,400,601
	<u>\$ 1,163,686</u>	<u>\$ 12,483,328</u>	<u>\$ 13,647,014</u>	<u>\$ 12,400,601</u>

See accompanying notes.

ALLIANCE FOR EDUCATION

**Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Program Services			Supporting Services			2020 Total	2019 Total
	Educational Investments	Affiliated School Activities	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Grants, scholarships and awards	\$ 2,430,319	\$ 201,281	\$ 2,631,600	\$ -	\$ 2,500	\$ 2,500	\$ 2,634,100	\$ 1,615,002
Contract services	224,876	67,715	292,591	83,488	26,225	109,713	402,304	443,509
Salaries and wages	715,338		715,338	278,876	259,187	538,063	1,253,401	1,085,528
Payroll taxes	57,176		57,176	21,551	21,238	42,789	99,965	90,046
Benefits	141,707		141,707	53,780	42,453	96,233	237,940	186,053
Special events					19,867	19,867	19,867	155,509
Postage and printing	2,783	1,972	4,755	(449)	8,720	8,271	13,026	22,130
Travel, meetings, meals and appreciation	65,590	34,820	100,410	5,159	855	6,014	106,424	170,875
Occupancy	65,955		65,955	31,642	28,891	60,533	126,488	128,806
Payroll administrative fees				34,809		34,809	34,809	23,809
Supplies and maintenance	889,396	107,456	996,852	6,593	10,407	17,000	1,013,852	903,937
Telephone	4,173		4,173	1,912	1,860	3,772	7,945	8,864
Bad debt		291	291		30,075	30,075	30,366	205
Miscellaneous	34,155	9,226	43,381	18,156	22,315	40,471	83,852	67,636
Depreciation	10,218		10,218	1,707	4,452	6,159	16,377	19,153
Total expenses	4,641,686	422,761	5,064,447	537,224	479,045	1,016,269	6,080,716	4,921,062
Less special events					(47,667)	(47,667)	(47,667)	(155,509)
Total Operating Expenses	\$ 4,641,686	\$ 422,761	\$ 5,064,447	\$ 537,224	\$ 431,378	\$ 968,602	\$ 6,033,049	\$ 4,765,553

See accompanying notes.

ALLIANCE FOR EDUCATION

**Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Operating Activities:		
Change in net assets	\$ 1,246,413	\$ 1,053,075
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Noncash items included in change in net assets:		
Depreciation	16,377	19,153
Net gains on investments	(868,144)	(1,169,139)
Loss from uncollectible pledges	8,366	17,205
Provision for allowance for doubtful accounts	22,000	(17,000)
Nonoperating items included in change in net assets:		
Appropriations from endowment for operations	379,000	279,300
Change in operating accounts:		
Promises to give	(242,958)	190,962
Accounts receivable and prepaid expenses	16,304	(23,455)
Accounts payable and accrued expenses	46,813	53,257
Grants payable	988,558	(328,788)
Funds held for others	115,441	214,726
Deferred rent	(15,654)	(12,029)
Net Cash Provided by Operating Activities	1,712,516	277,267
Investing Activities:		
Purchases of furniture, equipment and leasehold improvements	(3,668)	(8,163)
Appropriations from endowment for operations	(379,000)	(279,300)
Purchases of investments	(2,075,332)	(434,995)
Proceeds from sale of investments	891,090	1,163,611
Net Cash (Used in) Provided by Investing Activities	(1,566,910)	441,153
Financing Activities:		
Payments on capital lease obligations	(2,679)	(2,820)
Net Cash Used in Financing Activities	(2,679)	(2,820)
Net Change	142,927	715,600
Cash and cash equivalents and school affiliated cash, beginning of year	5,526,419	4,810,819
Cash and Cash Equivalents and School Affiliated Cash, End of Year	\$ 5,669,346	\$ 5,526,419

See accompanying notes.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

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 Seattle Public Schools (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 Seattle Public Schools, 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 Seattle Public Schools 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*

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.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 1 - Continued

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 will be met either by actions of the Alliance and/or the passage of time.

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. 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, 2020, included three pledges from three organizations totaling \$310,000 or 98% of total gross promises to give. Promises to give at December 31, 2019, included four pledges from two organizations totaling \$70,000 or 86% of total gross promises to give. Management is aware of this concentration and believes there is minimal risk associated with these promises to give.

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.

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, 2020

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, 2020 and 2019, the Alliance recognized cash and a corresponding liability for funds held for others of \$464,283 and \$348,842, 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.

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, 2020, contributions from two donors totaling \$2,150,000 represented 37% of total contributions and net special event revenues. For the year ended December 31, 2019, contributions from three donors totaling \$1,904,782 represented 46% 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.

Operating vs. 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.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 1 - Continued

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, 2019, from which the summarized information was derived.

Subsequent Events - The Alliance has evaluated subsequent events through July 12, 2021, the date on which the financial statements were available to be issued.

During the year ended December 31, 2020, the Chamber received a Paycheck Protection Program (PPP) loan to support the Alliance's salary costs. The Alliance received notice on March 8, 2021, that the Alliance would be receiving a contribution in the amount of \$232,177 related to the forgiveness of this loan. During 2021, the Chamber took out a second PPP loan to support the Alliance's salary costs during 2021.

Note 2 - Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 315,606	\$ 81,014
Less allowance for doubtful promises to give	<u>(31,000)</u>	<u>(9,000)</u>
Net Unconditional Promises to Give	<u>\$ 284,606</u>	<u>\$ 72,014</u>

Note 3 - Furniture, Equipment and Leasehold Improvements

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

	<u>2020</u>	<u>2019</u>
Equipment	\$ 109,259	\$ 105,592
Leasehold improvements	22,931	22,931
Furniture	<u>49,880</u>	<u>49,880</u>
	182,070	178,403
Less accumulated depreciation	<u>(163,478)</u>	<u>(147,102)</u>
Total Furniture, Equipment and Leasehold Improvements, Net	<u>\$ 18,592</u>	<u>\$ 31,301</u>

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 317,959	\$ 116,776
Fixed income securities	3,463,554	2,319,189
Equity securities	3,230,364	2,941,230
Equity mutual funds	2,332,418	1,970,824
Real assets	<u>259,791</u>	<u>203,681</u>
Total Investments	<u>\$ 9,604,086</u>	<u>\$ 7,551,700</u>

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

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 156,580	\$ 261,082
Realized and unrealized gains, net	868,144	1,169,139
Investment fees	<u>(61,629)</u>	<u>(60,736)</u>
Total Investment Returns	<u>\$ 963,095</u>	<u>\$ 1,369,485</u>

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>2020</u>	<u>2019</u>
Operating investment return	\$ 104,172	\$ 154,516
Nonoperating investment return	<u>858,923</u>	<u>1,214,969</u>
Total Investment Return	<u>\$ 963,095</u>	<u>\$ 1,369,485</u>

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.

ALLIANCE FOR EDUCATION

**Notes to Financial Statements
For the Year Ended December 31, 2020**

Note 4 - Continued

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, 2020 and 2019.

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.

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, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 317,959	\$ -	\$ -	\$ 317,959
Fixed income securities		3,463,554		3,463,554
Equity securities	3,230,364			3,230,364
Equity mutual funds	2,332,418			2,332,418
Real assets	259,791			259,791
	\$ 6,140,532	\$ 3,463,554	\$ -	\$ 9,604,086

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 116,776	\$ -	\$ -	\$ 116,776
Fixed income securities		2,319,189		2,319,189
Equity securities	2,941,230			2,941,230
Equity mutual funds	1,970,824			1,970,824
Real assets	203,681			203,681
	\$ 5,232,511	\$ 2,319,189	\$ -	\$ 7,551,700

Note 5 - Capital Leases

In October 2016, the Alliance entered into a lease agreement for a copier under a four-year capital lease agreement with a capitalized cost of \$11,459. This lease expired during the year ended December 31, 2020 and was not renewed. Depreciation and capitalized leased assets are included with equipment in fixed assets.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 6 - Operating Lease Commitments

The Alliance is obligated under an operating lease for office space used for program, administrative and fundraising activities which expires February 28, 2022. The lease requires monthly payments of \$8,903 escalating annually in December. Lease expense is recorded on a straight-line basis over the life of the lease. Accordingly, for a portion of the lease the actual payments under the agreements are less than the expense recognized. Rent expense incurred under these leases during the years ended December 31, 2020 and 2019 was \$124,161 and \$120,544, respectively, and is included in occupancy expense. Future payments under the lease are as follows:

For the Year Ending December 31,

2021	\$ 127,886
2022	<u>21,899</u>
	<u><u>\$ 149,785</u></u>

Note 7 - Grant and Award Commitments

The Alliance has co-developed a 14-month preparation program for future teachers called the Seattle Teacher Residency (STR). The program is training its eighth cohort of residents in the 2020-21 school year. The mission of STR is to accelerate student achievement through the preparation, support and retention of a group of excellent teachers who reflect the rich diversity in Seattle Public Schools (SPS). The selected individuals prepare to become teachers while earning their Master's in Teaching (MIT) degree from the University of Washington (UW). Residents spend a full year working alongside mentors. These mentors are experienced teachers who open their classroom to provide a rich educational setting for residents. The Residents are prepared for employment as teachers of record in SPS following the successful completion of the rigorous 14-month program and passing Washington state teacher certification requirements.

The Alliance has entered into conditional agreements with teachers, mentors and the University of Washington to support this program. 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, 2020 the Alliance recorded a liability of \$239,722 for Cohort 8 (2020-21) resident and mentor stipends for which the conditions have been met. Expected future remaining stipends due to mentors and residents of Cohort 8 that are conditional and are not included in liabilities at December 31, 2020 total \$317,965. The Alliance also made a commitment to graduates of Cohort One (2013-14) to reimburse the tuition they paid to the UW for their MIT enrollment. The Alliance's commitment is to reimburse the former residents in installments over five years subject to the condition that the resident completes each year as a teacher of record in a Seattle Title 1 school. Expected tuition reimbursements due to Cohort 1 residents for future school years (up to and including 2020-21) total \$12,015.

The Alliance has also made conditional grant commitments to SPS to support its strategic plan and certain programs. These grants are contingent upon Seattle Public Schools meeting certain conditions and are not recorded as grants payable until those conditions are met. The Alliance committed \$15,000 to SPS for the SPS Family Tech Support Center and \$33,581 to SPS for Middle School Literacy programs, as of December 31, 2020, which will be recognized and released when certain conditions are met. These A4 are conditional and are not included in liabilities at December 31, 2020.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 8 - Special Events

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

	<u>2020</u>	<u>2019</u>
Event revenues	\$ 291,330	\$ 536,216
Event expenses	<u>(47,667)</u>	<u>(155,509)</u>
Net Special Event Income	<u>\$ 243,663</u>	<u>\$ 380,707</u>

During both 2020, the Alliance hosted the Annual Black and Orange Ball, a gala dinner and an auction. During 2019, the Alliance hosted the Annual Community Lunch and the Annual Black and Orange Ball, a gala dinner and an auction.

Note 9 - 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 contributes a discretionary percentage of each participant's annual compensation to the 401(k) Plan. For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, were \$77,834 and \$68,054, respectively.

Note 10 - 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.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 10 - Continued

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, 2019	\$ 7,408,428
Endowment investment return-	
Endowment administration fees	(73,433)
Investment fees	(61,242)
Interest and dividends	144,458
Realized and unrealized gains	<u>849,140</u>
Total endowment investment return	858,923
Appropriation of endowment for expenditure	<u>(379,000)</u>
Endowment Net Assets, December 31, 2020	<u>\$ 7,888,351</u>
Endowment net assets, December 31, 2018	\$ 6,471,459
Endowment investment return-	
Endowment administration fees	(71,951)
Investment fees	(61,025)
Interest and dividends	183,926
Realized and unrealized losses	<u>1,164,019</u>
Total endowment investment return	1,214,969
Contributions	1,300
Appropriation of endowment for expenditure	<u>(279,300)</u>
Endowment Net Assets, December 31, 2019	<u>\$ 7,408,428</u>

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 10 - Continued

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.

Note 11 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to the passage of time or expenditure for specified purpose-		
Breakfast sponsorships	\$ -	\$ 5,000
Champion sponsorships	15,000	
Educational investments	3,036,484	2,679,049
Affiliated school activities	1,543,493	1,529,245
Endowment supported grants and awards	<u>7,731,524</u>	<u>7,251,601</u>
Total subject to the passage of time or expenditure for specified purpose	12,326,501	11,464,895
Endowment funds-		
Original gifts and required retained earnings (corpus)	<u>156,827</u>	<u>156,827</u>
Total Net Assets With Donor Restrictions	<u>\$ 12,483,328</u>	<u>\$ 11,621,722</u>

ALLIANCE FOR EDUCATION

**Notes to Financial Statements
For the Year Ended December 31, 2020**

Note 12 - 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,210,039	\$ 4,102,460
School affiliated cash accounts	1,459,307	1,423,959
Accounts receivable		28
Promises to give, net	284,606	72,014
Investments	<u>9,604,086</u>	<u>7,551,700</u>
 Total financial assets	 15,558,038	 13,150,161
 Less funds held for others	 (464,283)	 (348,842)
Less financial assets with donor imposed restrictions	<u>(12,483,328)</u>	<u>(11,621,722)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 2,610,427</u>	 <u>\$ 1,179,597</u>