



Financial Statements

For the Year Ended December 31, 2021

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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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alliance as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.



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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 25, 2022

ALLIANCE FOR EDUCATION

Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,438,442	\$ 4,210,039
School affiliated cash accounts	1,477,623	1,459,307
Accounts receivable and prepaid expenses	89,234	33,327
Promises to give, net (Note 2)	1,493,413	284,606
Total Current Assets	8,498,712	5,987,279
Noncurrent Assets:		
Promises to give - long-term (Note 2)	100,000	
Furniture, equipment and leasehold improvements, net (Note 3)	16,534	18,592
Investments (Note 4)	9,778,606	9,604,086
Other assets	18,949	18,949
Total Assets	\$ 18,412,801	\$ 15,628,906
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 252,104	\$ 281,166
Grants payable	421,316	1,215,173
Funds held for others	530,679	464,283
Total Current Liabilities	1,204,099	1,960,622
Deferred rent	1,881	21,270
Total Liabilities	1,205,980	1,981,892
Net Assets:		
Without donor restrictions	1,457,477	1,163,686
With donor restrictions (Notes 9 and 10)	15,749,344	12,483,328
Total Net Assets	17,206,821	13,647,014
Total Liabilities and Net Assets	\$ 18,412,801	\$ 15,628,906

See accompanying notes.

ALLIANCE FOR EDUCATION

**Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Operating				
Public Support and Revenue:				
Contributions	\$ 569,852	\$ 5,433,225	\$ 6,003,077	\$ 5,608,516
Special events, net (Note 7)	159,962		159,962	243,663
Forgiveness of Paycheck Protection Program loan (Note 12)	425,916		425,916	
Operating investment returns (Note 4)	95,289	(55)	95,234	104,172
Other income	802,231		802,231	464,188
	<u>2,053,250</u>	<u>5,433,170</u>	<u>7,486,420</u>	<u>6,420,539</u>
Net assets released from restrictions	3,191,225	(3,191,225)		
Endowment appropriations (Note 9)		267,900	267,900	379,000
Total Public Support and Revenue	5,244,475	2,509,845	7,754,320	6,799,539
Expenses:				
Program services	3,788,640		3,788,640	5,064,447
Management and general	632,750		632,750	537,224
Fundraising	529,294		529,294	431,378
Total Expenses	4,950,684		4,950,684	6,033,049
Change in Net Assets - Operating	293,791	2,509,845	2,803,636	766,490
Nonoperating				
Endowment contributions		300	300	
Endowment investment returns (Note 4)		1,023,771	1,023,771	858,923
Endowment appropriations (Note 9)		(267,900)	(267,900)	(379,000)
Change in Net Assets - Nonoperating		756,171	756,171	479,923
Total Change in Net Assets	293,791	3,266,016	3,559,807	1,246,413
Net assets, beginning of year	1,163,686	12,483,328	13,647,014	12,400,601
Net Assets, End of Year	\$ 1,457,477	\$ 15,749,344	\$ 17,206,821	\$ 13,647,014

See accompanying notes.

ALLIANCE FOR EDUCATION

**Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Program Services			Supporting Services			2021 Total	2020 Total
	Educational Investments	Affiliated School Activities	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Grants, scholarships and awards	\$ 1,224,733	\$ 305,507	\$ 1,530,240	\$ -	\$ -	\$ -	\$ 1,530,240	\$ 2,634,100
Contract services	96,367	57,406	153,773	139,447	69,956	209,403	363,176	402,304
Salaries and wages	661,088		661,088	299,454	306,498	605,952	1,267,040	1,253,401
Payroll taxes	56,916		56,916	22,918	24,975	47,893	104,809	99,965
Benefits	136,991		136,991	59,661	48,064	107,725	244,716	237,940
Special events					62,321	62,321	62,321	19,867
Postage and printing	2,096	3,852	5,948	1,440	8,603	10,043	15,991	13,026
Travel, meetings, meals and appreciation	6,852	31,575	38,427	7,405	2,090	9,495	47,922	106,424
Occupancy	75,206		75,206	27,705	35,619	63,324	138,530	126,488
Payroll administrative fees				40,220		40,220	40,220	34,809
Supplies and maintenance	944,912	118,008	1,062,920	11,453	12,930	24,383	1,087,303	1,013,852
Telephone	7,662	1,363	9,025	2,974	3,648	6,622	15,647	7,945
Bad debt								30,366
Miscellaneous	36,176	11,914	48,090	18,649	16,996	35,645	83,735	83,852
Depreciation	10,016		10,016	1,424	4,764	6,188	16,204	16,377
Total expenses	3,259,015	529,625	3,788,640	632,750	596,464	1,229,214	5,017,854	6,080,716
Less special events					(67,170)	(67,170)	(67,170)	(47,667)
Total Operating Expenses	\$ 3,259,015	\$ 529,625	\$ 3,788,640	\$ 632,750	\$ 529,294	\$ 1,162,044	\$ 4,950,684	\$ 6,033,049

See accompanying notes.

ALLIANCE FOR EDUCATION

**Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Operating Activities:		
Change in net assets	\$ 3,559,807	\$ 1,246,413
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	16,204	16,377
Net gains on investments	(943,389)	(868,144)
Loss from uncollectible pledges	3,106	8,366
Provision for allowance for doubtful accounts	(3,106)	22,000
Nonoperating items included in change in net assets:		
Appropriations from endowment for operations	267,900	379,000
Change in operating accounts:		
Promises to give	(1,308,807)	(242,958)
Accounts receivable and prepaid expenses	(55,907)	16,304
Accounts payable and accrued expenses	(29,062)	46,813
Grants payable	(793,857)	988,558
Funds held for others	66,396	115,441
Deferred rent	(19,389)	(15,654)
Net Cash Provided by Operating Activities	759,896	1,712,516
Investing Activities:		
Purchases of furniture, equipment and leasehold improvements	(14,146)	(3,668)
Appropriations from endowment for operations	(267,900)	(379,000)
Purchases of investments	(2,452,884)	(2,075,332)
Proceeds from sale of investments	3,221,753	891,090
Net Cash Provided by (Used in) Investing Activities	486,823	(1,566,910)
Financing Activities:		
Payments on capital lease obligations		(2,679)
Net Cash Used in Financing Activities		(2,679)
Net Change	1,246,719	142,927
Cash and cash equivalents and school affiliated cash, beginning of year	5,669,346	5,526,419
Cash and Cash Equivalents and School Affiliated Cash, End of Year	\$ 6,916,065	\$ 5,669,346

See accompanying notes.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2021

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*

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, 2021

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. As of December 31, 2021 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, 2021, included two pledges from two organizations totaling \$1,502,500 or 93% of total gross promises to give. Promises to give at December 31, 2020, included three pledges from three organizations totaling \$310,000 or 98% 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, 2021

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, 2021 and 2020, the Alliance recognized cash and a corresponding liability for funds held for others of \$530,679 and \$464,283, 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, 2021, contributions from three donors totaling \$4,200,000 represented 53% of total contributions and net special event revenues. 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.

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, 2021

Note 1 - Continued

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

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, 2020, from which the summarized information was derived.

Subsequent Events - The Alliance has evaluated subsequent events through July 25, 2022, the date on which the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give due in less than one year	\$ 1,521,307	\$ 315,606
Unconditional promises to give due in two years	<u>100,000</u>	<u></u>
Total Unconditional Promises to Give	1,621,307	315,606
Less allowance for doubtful promises to give	<u>(27,894)</u>	<u>(31,000)</u>
Total Net Unconditional Promises to Give	<u>\$ 1,593,413</u>	<u>\$ 284,606</u>

Note 3 - Furniture, Equipment and Leasehold Improvements

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 123,405	\$ 109,259
Leasehold improvements	22,931	22,931
Furniture	<u>49,880</u>	<u>49,880</u>
	196,216	182,070
Less accumulated depreciation	<u>(179,682)</u>	<u>(163,478)</u>
Total Furniture, Equipment and Leasehold Improvements, Net	<u>\$ 16,534</u>	<u>\$ 18,592</u>

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2021

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 330,910	\$ 317,959
Fixed income securities	2,521,451	3,463,554
Equity securities	3,439,182	3,230,364
Equity mutual funds	3,137,179	2,332,418
Real assets	349,884	259,791
Total Investments	<u>\$ 9,778,606</u>	<u>\$ 9,604,086</u>

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

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 245,544	\$ 156,580
Realized and unrealized gains, net	943,389	868,144
Investment fees	(69,928)	(61,629)
Total Investment Returns	<u>\$ 1,119,005</u>	<u>\$ 963,095</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>2021</u>	<u>2020</u>
Operating investment return	\$ 95,234	\$ 104,172
Nonoperating investment return	1,023,771	858,923
Total Investment Return	<u>\$ 1,119,005</u>	<u>\$ 963,095</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, 2021

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, 2021 and 2020.

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, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 330,910	\$ -	\$ -	\$ 330,910
Fixed income securities	463,985	2,057,466		2,521,451
Equity securities	3,439,182			3,439,182
Equity mutual funds	3,137,179			3,137,179
Real assets	349,884			349,884
	<u>\$ 7,721,140</u>	<u>\$ 2,057,466</u>	<u>\$ -</u>	<u>\$ 9,778,606</u>

	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	591,163	2,872,391		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
	<u>\$ 6,731,695</u>	<u>\$ 2,872,391</u>	<u>\$ -</u>	<u>\$ 9,604,086</u>

Note 5 - 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. Subsequent to year end, 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. 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.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 5 - Continued

Rent expense incurred under these leases during the years ended December 31, 2021 and 2020 was \$127,886 and \$124,161, respectively, and is included in occupancy expense. Future payments under the lease are as follows:

For the Year Ending December 31,

2022	\$	107,912
2023		131,953
2024		136,369
2025		140,808
2026		145,270
Thereafter		<u>48,920</u>
	\$	<u><u>711,232</u></u>

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.

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, 2021 the Alliance recorded a liability of \$257,242 for Cohort 9 (2021-22) resident and mentor stipends for which the conditions have been met. Expected future remaining stipends due to mentors and residents of Cohort 9 that are conditional and are not included in liabilities at December 31, 2021 and total \$299,716.

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 \$16,103 to SPS for Middle School Literacy programs, as of December 31, 2021, which will be recognized and released when certain conditions are met. These are conditional and are not included in liabilities at December 31, 2021.

Note 7 - Special Events

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

	<u>2021</u>	<u>2020</u>
Event revenues	\$ 227,132	\$ 291,330
Event expenses	<u>(67,170)</u>	<u>(47,667)</u>
Net Special Event Income	<u><u>\$ 159,962</u></u>	<u><u>\$ 243,663</u></u>

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 7 - Continued

During both 2021 and 2020, the Alliance hosted the Annual Black and Orange Ball, a gala dinner and an auction. During 2021, the Alliance also hosted the Annual Community Lunch.

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 contributes a discretionary percentage of each participant's annual compensation to the 401(k) Plan. For the years ended December 31, 2021 and 2020, 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, 2021 and 2020, were \$82,343 and \$77,834, respectively.

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.

ALLIANCE FOR EDUCATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

Note 9 - Continued

Changes to endowment net assets are as follows:

Endowment net assets, December 31, 2020	\$ 7,888,351
Endowment contributions	300
Endowment investment return-	
Endowment administration fees	(84,877)
Investment fees	(69,487)
Interest and dividends	226,222
Realized and unrealized gains	<u>951,913</u>
Total endowment investment return	1,023,771
Appropriation of endowment for expenditure	<u>(267,900)</u>
Endowment Net Assets, December 31, 2021	<u>\$ 8,644,522</u>
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>

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.

ALLIANCE FOR EDUCATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 9 - Continued

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 10 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time or expenditure for specified purpose-		
Champion sponsorships	\$ 30,000	\$ 15,000
Future periods	230,000	
Educational investments	5,294,764	3,036,484
Affiliated school activities	1,550,058	1,543,493
Endowment supported grants and awards	<u>8,487,695</u>	<u>7,731,524</u>
Total subject to the passage of time or expenditure for specified purpose	15,592,517	12,326,501
Endowment funds-		
Original gifts and required retained earnings (corpus)	<u>156,827</u>	<u>156,827</u>
Total Net Assets With Donor Restrictions	<u>\$ 15,749,344</u>	<u>\$ 12,483,328</u>

ALLIANCE FOR EDUCATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,438,442	\$ 4,210,039
School affiliated cash accounts	1,477,623	1,459,307
Accounts receivable	72,938	
Promises to give, net	1,593,413	284,606
Investments	<u>9,778,606</u>	<u>9,604,086</u>
 Total financial assets	 18,361,022	 15,558,038
 Less funds held for others	 (530,679)	 (464,283)
Less financial assets with donor imposed restrictions	<u>(15,749,344)</u>	<u>(12,483,328)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 2,080,999</u>	 <u>\$ 2,610,427</u>

Note 12 - Paycheck Protection Program

On April 22, 2020, and February 16, 2021, the Chamber applied for and received forgivable Paycheck Protection Program loans. The balance of these loans included the Alliance's employees as part of the calculation of the principal balances and forgiveness. During the year December 31, 2021, these loans were forgiven. As part of this forgiveness, the Chamber contributed \$425,916 to the Alliance, which is recognized as contribution revenue on the statement of activities.